COOTE INDUSTRIAL ANNUAL REPORT

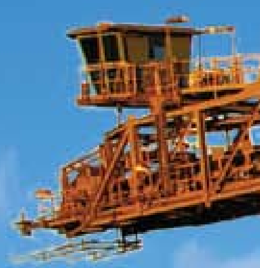
09

coote INDUSTRIAL

Contents

fy09 key performance indicators

	FY07	FY08	FY09
REVENUE	$ 69.416 m	$347.893m	$317.362m
EBITDA	$ 15.543 m	$ 47.501 m	$ 21.900 m
EBIT	$ 13.592 m	$ 40.795 m	$ 10.384 m
NPAT	$ 8.174 m	$ 22.012 m	$ -4.541 m
EPS - Fully Diluted	17.22 c	20.58 c	0.00 c
Dividend	5.90 c	8.50 c	0.00 c



Solid revenues and continued demand for products and services highlight the underlying strength of the key businesses, and provides confidence in improved near-term performance, despite a disappointing financial result for the year.


S/No.2038
WAC18909

chairmans letter

TO SHAREHOLDERS

The last 18 months have been challenging for Coote Industrial. On one hand, it was encouraging that revenues held up reasonably well given the substantial downturn in key market segments due to the global financial crisis. On the other, loss of confidence in the global banking system impacted adversely on the settlement of a major sale of locomotives and other rolling-stock to asset leasing company, Greentrains Ltd.

Insufficient investment by the Australian rail industry in rolling-stock over a long period has resulted in a shortfall of locomotives to meet growing freight demand. Coote Industrial identified a significant business opportunity in refurbishing existing locomotives, leasing them to rail operators, and maintaining them over the long-term. Greentrains was set up at the initiative of Coote Industrial for the specific purpose of creating a pool of efficient, cost-effective locomotives for lease to Australian rail operators.

As has been stated in various announcements to the market, settlement of this transaction took over a year longer than anticipated, due to the difficulty faced by the directors of Greentrains in securing debt funding to complete the transaction.

Fortunately, Coote Industrial's bank was supportive as further equity investment was sought in order to meet tighter lending requirements emerging in a new economic environment. Subsequent to the end of the financial year, additional equity was secured and invested in both Greentrains and Coote Industrial, with the result that the sale of the first tranche of locomotives and wagons was successfully finalised in July 2009. This rolling-stock is already generating income through leasing arrangements to rail operators, and we anticipate that further sales of locomotives and wagons to Greentrains will take place in the near future.

Coote Industrial has continued to sharpen its strategic service offering throughout the year. These services are:

- Professional engineering design, consultancy and project management services,
- Rail and road rolling-stock design, manufacture and maintenance services,
- Power and propulsion systems for marine, rail, mining and power generation applications,
- Heavy industrial plant maintenance services; and
- Recruitment and skilled workforce solutions for the rail, mining, construction and related industries.

Given this much tighter strategic focus, the board has decided to sell Coote Industrial's logistics businesses and has appointed BurnVoir Corporate Finance to undertake the divestment. We anticipate that this will be completed in the early part of FY10 and that proceeds will be used to further strengthen Coote Industrial's balance sheet.

The business environment of the last 18 months has been the most challenging in several decades. The company would like to warmly thank its customers, suppliers, and staff for their understanding and support during this difficult period. There is cautious optimism emerging about the economic outlook for markets in which Coote Industrial participates. The board believes that the company is well positioned to prosper as economic stability and growth resume.

Don Hector

Donald Hector
Non-Executive Chairman

managing directors report

This has been a challenging year for Coote Industrial as we encountered difficulty in sustaining business levels in the midst of a global economic downturn. In particular, a rapid curtailment of access to debt and equity funding found the company struggling to bolster working capital; hindering business-as-usual transactions, and impeding progress with planned business restructuring and growth initiatives.

Nonetheless, our underlying business has remained strong, with solid revenues and continued demand for our products and services. Considerable progress was achieved in meeting key objectives for FY09 outlined in our last Annual Report; particularly in respect to national and international expansion, market positioning, and brand consolidation.

Vision Progression

Coote Industrial Limited has just concluded its third financial year as an ASX listed entity, and in that time a number of material accomplishments have been made toward achieving our vision of building an "enduring international company".

Foremost amongst these has been the drive to simplify our business model to enhance market understanding, consolidate and strengthen key businesses capabilities, and refine service offerings to match our core business proposition.

This objective has been substantially advanced, with key business brands now consisting of Convair, Drivetrain Power & Propulsion, Gemco Rail, Industrial Powertrain and Momentum.

Each of these businesses qualifies as a discrete technical services company, offering a range of niche services to industries which rely substantively upon heavy/complex industrial plant and machinery, and/or specialised rolling-stock, to fulfil mission-critical functions.

Industry sectors fitting this description, and a primary focus of Group activity since inception, include Defence, Maritime, Power Generation, Rail and Resources. The depth and long-term solidity of these markets, both individually and collectively, provide enormous opportunity for business growth. Other sectors with similar requirements, and providing secondary revenue streams, include Agriculture, Automotive, Construction, and Materials Handling.

While each key business possesses distinctive core competencies, a significant level of commonality in terms of industry focus and service offering now accompanies their activities. This commonality provides a solid technical foundation, and strong commercial incentive, for key businesses to take a co-operative and holistic approach to the development and delivery of multi-faceted solutions to industry.

Refinement of key brands was achieved through two important amalgamations during the year. The first of these was the integration of Coote Energy, and the multiple Hedemora and Drivetrain businesses into a single new entity, Drivetrain Power & Propulsion. The second amalgamation was that of South Spur Rail Services and Coote Logistics to form new entity, South Spur Logistics. As has been announced, the business activities of South Spur Logistics do not fit within the core business proposition of Coote Industrial and divestment action has been initiated.

The core capabilities of the key businesses represent facets of the integrated service offering we aspire to provide. Defining this direction aids significantly in the planning and execution of supporting strategies, including organisational modelling, Engineering, OHS and IT frameworks, business management platform; and communication of management intent through policy dissemination.

Financial Downturn

In the first two financial years of listing, Coote Industrial enjoyed the benefits of sustained growth, with revenues rising from $69.416m in FY07 to $347.893m in FY08, and a corresponding increase in NPAT from $8.174m to $22.012m.

By comparison, the FY09 results were disappointing, with revenue of $317.362m and Net Loss after Tax of $4.541m. While revenue held up reasonably well given the economic climate in which the result was delivered, profit was heavily impacted upon by:

› High levels of debt and subsequent interest charges,

› Significant one-off costs incurred through business restructuring and integration activities; and

› Pressure on margins arising from increased competition due to reduced economic activity.

The impact of the economic downturn was, in particular, manifest in the Group's inability to deliver on two important business objectives during the period. The first of these was the finalisation of an $82m rolling-stock transaction; the second, a flow-on effect from the first, a severe constriction on working capital.

Rollingstock in various stages of disrepair were purchased by Gemco Rail using Group working capital from an earlier capital raising and additional debt. The strategy was to refurbish the locomotives and wagons, whereupon they would be sold to Greentrains; with a sizeable portion destined for lease to South Spur Rail to augment their poorly performing fleet impacting upon Group profitability, with the balance leased to other rail operators.

The timing of this transaction was unfortunate, with contractual obligations for the initial purchase of rolling-stock incurred prior to the onset of the global financial crisis, at a time when funding availability seemed assured; but with the incorporation of Greentrains and related funding arrangements incomplete at the time the full impact of the economic downturn was realised.

Following the downturn, a rapid curtailment of access to debt and equity funding found us struggling to replace working capital, with inevitable consequences for the business.

Extended absence of these critical funds impeded Coote Industrial's ability to continue to invest in further planned integration and organic growth initiatives, restricted key businesses from procuring inventory and services to satisfy customer orders; prevented planned debt reduction initiatives; and resulted in significantly increased debt funding costs – largely due to a sharp, world-wide contraction in liquidity.

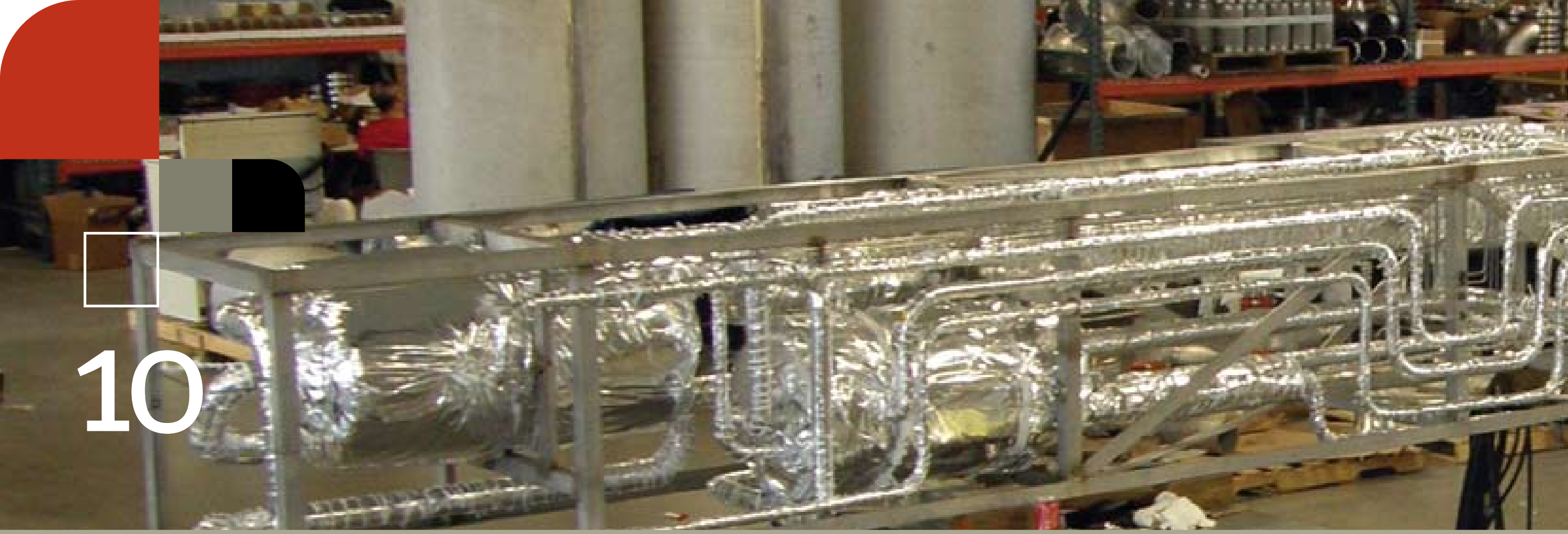
Financial performance was further impacted upon by declining profit margins arising from fierce competition for available market activity; and significant one-off costs incurred through integration and restructuring activities associated with Gemco Rail, Drivetrain Power & Propulsion, Momentum and South Spur Logistics.

Ensuing loss of market confidence in Coote Industrial also resulted in a steadily declining share price and further restriction on timely access to debt and equity.

Recovery Strategies

Despite a difficult year, and without recourse to appropriate working capital, delivery of over $300m in revenues highlights the underlying strength of our key businesses.

The eventual finalisation of a substantial first tranche transaction of rolling-stock in July 2009 has eased financial pressure, and while we expect financial constraints to continue into FY10, plans are in place to further rectify liquidity. Since completing the first tranche, funding interest in Greentrains has increased both from a debt and equity perspective. To meet rail operator demand, Greentrains placed an order for a further 12 locomotives for which we anticipate proceeds to be received soon after delivery. Proceeds from this order will



predominantly be allocated to debt reduction. Should Coote Industrial be successful in achieving a satisfactory price for the sale of South Spur Logistics, all proceeds are earmarked for debt reduction.

Enterprise Management

Coote Industrial's Corporate Services continued to plan and implement platforms for growth across the group throughout this year. With liquidity constraints on availability of debt and equity, and particularly the delayed settlement of the Greentrains receivable, Corporate Services has focused on advancing the integration efforts of the key businesses, bringing them closer together.

From FY08 these integration efforts commenced with a programme of key business brand consolidation to align core competencies and simplify the business model. This has continued into FY09, supported by improvements in branding consistency and roll-out of new marketing materials, stationery, signage and web-sites. A tangible commonality across all key businesses is now becoming evident and will be reinforced through ongoing marketing initiatives.

Further integration by converting cross-business market intelligence and opportunities into profitable outcomes will be a centre of attention in FY10.

A sustained focus on OHS during the year has seen the development of a Group OHS network, which pools common business resources, sets and tests compliance and safety procedures, and measures KPIs to ensure ongoing, sustained improvement. A common hazard and incident reporting system provides enterprise visibility for compliance, reporting and analysis.

Emphasis on standardised financial accounting processes, with particular focus on period-end closing, has been facilitated by ongoing roll-out of SAP Financials. A month-end reporting framework has been established, providing procedures, timeframes, and compliance and reconciliation templates. This has delivered easier internal and external audit planning and execution, and greater visibility for review of Group business performance.

Improvements in budgeting and planning have also been made possible through the introduction of rigorous processes during the year. A firm focus in FY10 will be to embed the planning cycle by constantly reviewing actual results in order to facilitate strategic decision making.

The Risk Management Program addresses risk identification and mitigation through comprehensive insurance placement and management; leveraging purchasing power for insurance costs, and encompassing contract review in the context of risk with rigorous examination of risk exposure.

Information Systems improvements have been delivered on many fronts and include the continued roll-out of the Group IPWAN, implementation of SAP HR Payroll and Customer Service modules to a number of key businesses; and deployment of SharePoint as the Group intranet solution.

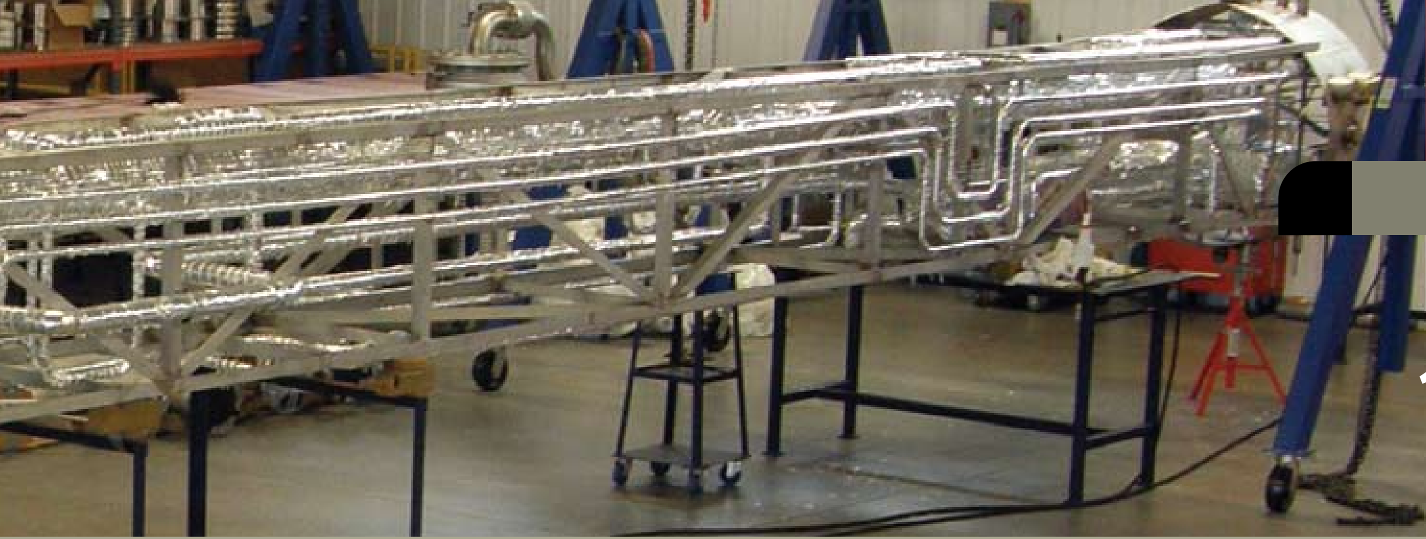
Forward looking key objectives include deepening the reach of SAP including enterprise reporting through Business Intelligence, improving network reach and speed and further development of the SharePoint collaboration and information sharing platform.

Coote Industrial Key Businesses

All key businesses were impacted to a varying degree by the global financial crisis, with the primary influence in Australia being a decline in resource-generated activity during the period.

Some businesses were forced to reduce staff levels, or cut back hours, due to reduced sector activity; however this unsavoury task was conducted as compassionately as possible and achieved with little interruption to business.

Despite this and given the constraints on working capital across the group, each business was able to identify positive indications of economic recovery within their sectors, providing expectations of improved performance in FY10.



While all key businesses were engaged in varying levels of restructuring and integration this financial year, two in particular were faced with the greatest challenges.

The absorption of the RTS Group and the integration of its operating sites, together with internal restructuring and development of new and existing facilities provided considerable challenges to Gemco Rail, particularly as it was also heavily impacted upon by the Greentrains transaction.

The amalgamation of Coote Energy, Hedemora and Drivetrain into new entity, Drivetrain Power & Propulsion, also posed a significant ordeal for those businesses, particularly given the large number of domestic and international sites and subsidiaries which were encompassed within the latter two entities.

Consolidation and integration of these entities was also where most of the FY09 one-time costs, which impacted upon our final result, were incurred.

Given the economic climate and other distractions during the period, it is a credit to all key businesses that these activities were accomplished without greater impact upon ongoing operations.

Following an outstanding result in FY08, **Convair** entered FY09 with strong advance orders for pneumatic tankers, and every expectation of repeat revenues.

Demand, however, tapered off toward the final quarter of FY08 as the economic climate deteriorated and customers deferred expenditure on new assets.

Profit margins on imported Feldbinder Aluminium Tankers declined during the first half as a result of the rising value of the Euro against the Australian dollar, but subsequently improved in the second half of the financial year.

Increased sales of ancillary equipment, components and maintenance and repair work partially offset the fall in new dry bulk tanker sales, as customers switched to extending the life of their existing assets.

Convair also benefited from a noticeable reduction in competition from both offshore and local rivals during the second half.

Diversification of tanker product builds and an extension of the current relationship with China's ZhangJiaGang HanJung CIT Co. Ltd, to include tankers for LNG transport, provides opportunity for Convair to expand its product range. This, combined with flow-on benefits from subsequent maintenance and repair works, parts supply and other services related to this platform is expected to assist in offsetting lost revenue from dry bulk tanker sales.

Staff levels have been reduced in line with expected revenue losses without compromising core expertise. Administration has been reduced to part time and all other possible cost reductions have been addressed.

FY10 will be the first time for many years that Convair have entered a financial year without an extended forward order book and this will continue to pose ongoing challenges throughout the period.

Gemco Rail was acquired in July 2007 as a single-site operation, and in the past two years more than doubled revenues.

The extended delay in settlement of the Greentrains rolling-stock sale heavily impacted upon cash flow during FY09 with further effects evident in the slight decline on revenues, but more pronounced reduction in profit margins.

A number of significant one-off costs were also incurred through amalgamation of RTS Group into the business, including the need to expand both people and site capabilities at additional locations in Victoria, Queensland, South Australia and New South Wales.

Despite this, Gemco experienced steady demand for wagon construction and maintenance during FY09, and will enter the new financial year with a strong order-book which includes several high-value wagon construction contracts to be completed during the period.

Gemco accomplished a number of strategic growth objectives during FY09 which included:

› Acquisition and integration of the RTS Group,

› Development of a national rolling-stock capability through the establishment of new facilities at Rocklea in Queensland, Altone in Victoria; and by assuming control of former RTS Group sites at Dynon in Victoria, Islington in South Australia, Parkes and Broken Hill in New South Wales; and

› Establishment of a locomotive remanufacturing capability at Forrestfield in Western Australia, and subsequent rebuild of a further seven locomotives for Greentrains.

In FY10 Gemco will focus on attracting business at its Eastern States facilities, and on continued capability consolidation.

During the period, the business will also pursue opportunities for new freight locomotive and passenger car manufacture. There is no expectation of revenue contributions from this direction in FY10, given long lead-times associated with this type of activity.

We anticipate improved revenue contributions from Gemco Rail, particularly during the second half, emanating from continued demand for historical wagon maintenance and construction activities. New demand for locomotive maintenance services is expected to be underpinned by steady growth in rail share of the domestic freight task, and significant Government and private investment in rail infrastructure improvements.

In the long-term we believe that continued capability development and geographical positioning will see this business achieve prominence as an important rolling-stock provider.

Industrial Powertrain continues to grow moderately since acquisition in July 2007 and remains a reliable contributor to the Group.

The business was unsuccessful in locating a suitable facility in which to consolidate its two operating entities in FY09; however this is expected to be accomplished in the current financial year with some resulting reduction in overheads, consolidation of technical skills and enhanced service offerings.

Revenues are expected to increase in FY10 due to the commencement of a ten-year contract with Argyle Diamond Mine for the in-situ overhaul of its EMD engine fleet, together with continuing orders from other rail and resources companies.

Momentum's strong financial outcome in Q1 was underpinned by activity related to the closing stages of three major rail projects.

Despite a rise in demand for training and accreditation services in Q4, a strong decline in recruitment and rail construction work in Q2 and Q3 heavily impacted on Momentum's results for the year with a drop in revenues of 24%, and NPAT of 63%.

During the year Momentum placed emphasis on internal consolidation and skills development, and expanded its core service offering to include project support for large organisations competing for major contracts in rail-related construction.

As a consequence Momentum has been successful in gaining contracts with ARTC for track maintenance and is expected to seek participation in large projects such as RGP5 and Gorgon. In the future this focus is expected to lead to ongoing maintenance contracts in operational resource projects, delivering mechanical and electrical engineering and related trade services.

Despite key market unsteadiness, Momentum is expecting a better performance in FY10, compared to FY09, due to extending labour skill-sets to gain greater penetration within the resources sector, and growth in rail infrastructure works.

The incorporation of **Drivetrain Power & Propulsion** in late FY08, and its subsequent amalgamation of Drivetrain Australia

(including its regional subsidiaries in New Zealand, Singapore and the Philippines), Drivetrain USA, Coote Energy, Hedemora Diesel AB (Sweden) and Hedemora Diesel Australia during FY09, provided the Group with a vehicle with which to progress its vision and embrace the international arena in a meaningful way.

The incorporation of Drivetrain USA and subsequent acquisition of two cryogenics companies has achieved low-cost entry into the North American market. These businesses, with their own suite of products and headline customers such as NASA and other aerospace companies, look to provide promising technological opportunities within Australia's own oil and gas industry.

The integration of Hedemora companies into Drivetrain has added to this key business a ready-made manufacturing and servicing centre in Sweden, providing a footprint into the European market. Subsequent acquisition of the turbocharger business of Turbomeca, and relocation from France to Sweden has already significantly enhanced European operations, with the Swedish subsidiary doubling revenues before roll-out strategies had even been deployed.

Drivetrain's business model is predicated on the original, very successful Drivetrain Australia model, with strategic positioning of "coal-face" service facilities in high-activity areas; and larger capability centres delivering professional engineering and field-service support services operating across geographical boundaries. A global distribution network also provides extensive third-party and in-house OEM parts sales, both new and service-exchange. Commencing in FY10, the model will be rolled out to Europe and North America.

As the Drivetrain Power & Propulsion business model continues to evolve into a major international technical services company, we anticipate financial performance will continue to also grow exponentially.

We expect a considerable increase in profitability following inclusion of the turbocharger business for the first full year.

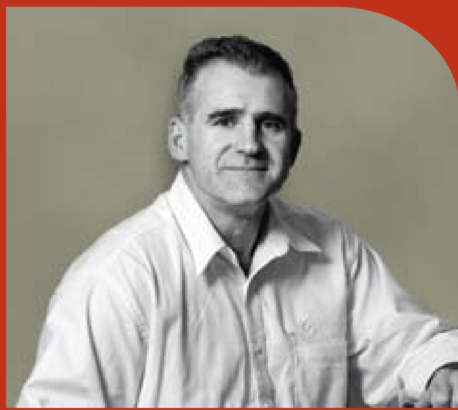
Coote Industrial's logistics businesses are anomalous with the technical-based services of other key businesses. The amalgamation of South Spur Rail Services and Coote Logistics to form **South Spur Logistics**, with interests in Rail, Road and Port logistics, has been undertaken to enhance the market positioning and sale prospects of this business.

In Closing

We wish to thank our many suppliers, customers and staff for their support and cooperation during this most difficult year. We have all transitioned through the most challenging period in our company history to date, but I believe that our perseverance will be rewarded in this forthcoming year and beyond, as the global economy recovers and our underlying stability enables us to realise the true potential of our very strong business proposition.

Michael Coote
Managing Director

board of directors



The following persons were Directors of Coote Industrial Limited during the period from 1 July 2008 until 30 June 2009:

Glenn Parrett

BCom (Finance & Economics), MAICD Executive Director

Appointed: 28 June 2006
Age: 44

Special Responsibilities: Member of Audit Committee, CEO Drivetrain

Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings
Shares: 247,507
Options: 250,000

Glenn has more than 15 years experience delivering against total business plan responsibility, including General Manager and Managing Director roles with engineering sales and service businesses. Underpinned by Certificate studies in Mechanical Engineering, Glenn built experience in application engineering, technical sales and subsequently project and business management in the power and propulsion segment. Having completed a degree in Finance and Economics with High Distinction average, Glenn was awarded life membership of the Golden Key National Honour Society and has undertaken postgraduate studies in Business Law at Sydney University. After delivering key projects and acquisitions for Coote Industrial at corporate level, Glenn's focus from FY09 is the integration, performance and development of the group's power and propulsion businesses.

Mike Coote

BE (Mech), MAICD
Managing Director

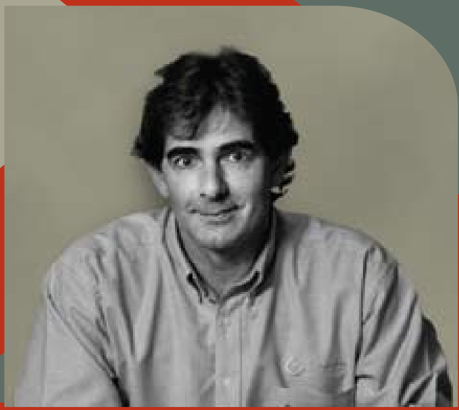
Appointed: 28 June 2006
Age: 46

Special Responsibilities: N/A

Directorships held in other listed entities in the past three years: Previously non-executive director, Natural Fuels Ltd

Summary of current equity holdings
Shares: 42,811,164
Options: Nil

Mike initially worked in the family transport business. After completing his Mechanical Engineering Degree in 1985 he was involved with heavy mining equipment, waste crushing, conveying projects and locomotive maintenance for Mt. Newman Mining (BHP). In mid 1989 he founded Globe Turbocharger Specialties Australia, providing large diesel engine operators with quality aftermarket spares. Utilising his experience in heavy vehicle design, diesel engines and projects management, Mike developed the business across a broad platform, re-badging it as GTSA Engineering to better represent the company's activities. Over the ensuing years the company has continued to evolve as Coote Industrial Limited.



Donald Hector

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

Appointed: 2 November 2006
Age: 59

Special Responsibilities: Member of Audit Committee

Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings
Shares: 55,650
Options: 300,000

Don has 15 years experience in senior executive management and CEO positions with industrial companies. He was Managing Director of Dow Corning Australia Pty Ltd, the Australian subsidiary of Dow Corning Corporation and was Managing Director of Asia Pacific Specialty Chemicals Ltd, an ASX-listed chemical company. Don is a non-executive director of SEMF Pty Ltd, a multidisciplinary engineering consulting firm. He is also on the board of Engineering Sydney at the University of Sydney and is a Council member of one of Sydney's leading independent schools.

Don Patterson

BBus, MAICD
Director and Chief Executive Officer

Appointed: 28 June 2006
Age: 51

Special Responsibilities: N/A

Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings
Shares: 1,757,787
Options: 2,000,000

Don was employed in accounting roles in heavy engineering before joining Wesfarmers – Rural Division, leaving after 5 years to take up senior management positions in the finance, retailing and hospitality industries. Prior to joining Coote Engineering in 2002 he spent five years in commercial property development with Citygate Properties. Don initially assumed the role of Financial Controller, then additionally General Manager of subsidiary GTSA Engineering. Over the past seven years Don has implemented considerable structural reform, planning and other improvements supporting Coote Industrial Limited's historical growth and preparing a platform to meet future expectations.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Coote Industrial Key Businesses

CONVAIR	Pneumatic tanker design and manufacture
Drivetrain POWER AND PROPULSION	Power and propulsion
GEMCO RAIL	Rollingstock services
INDUSTRIAL powertrain	Heavy equipment maintenance
Momentum	People - technical and contract services
SOUTHSPUR	Rail, road and port logistics


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CVT
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1976-2006

CONVAIR

Convair Engineering are established market leaders in the design, manufacture and repair of specialised steel and aluminium pneumatic tankers for transport of dry bulk products via road and rail. Convair's expertise and dominant position in this niche field continues to consolidate due to ongoing, innovative development in transportation tanker design, leading to significant efficiency gains for customers.

CORE SERVICES

Convair's core service offering includes:

› Mechanical engineering design and manufacture / fabrication of pneumatic bulk tankers, truck trailers, storage and loading/unloading equipment for road and rail transportation.

› In-house maintenance and repair services,

› Sales of ancillary equipment and components, including blowers, compressors, valves, couplings, hoses and filters.

› Exclusive sales and service agent for world leader in aluminium tanker manufacture, Feldbinder Spezialfahrzeugwerke GmbH of Germany.

FY09 PERFORMANCE

Convair commenced the financial year with strong advance orders for pneumatic tankers, with demand tapering off toward the final quarter as the economic climate deteriorated and customers scaled back expenditure on new assets.

Profit margins on imported Feldbinder Aluminium Tankers declined during the first half as a result of the rising value of the Euro against the Australian dollar, but subsequently improved in the second half of the financial year.

An increase in sales of ancillary equipment, components and maintenance and repair work partially offset the fall in new tanker sales, as customers switched to extending the life of their existing assets.

Convair experienced a noticeable reduction in competition from both offshore and local rivals during the second half.

FY09 ACHIEVEMENTS

Several innovative technical achievements were accomplished during FY09:

› Provisioning a solution for a previously very costly distribution task, Convair developed a B-Double, fully self-contained tanker combination which enables a single combination to service multiple tasks.

The tankers feature the ability to operate in a variety of configurations, from B-Double to two single trailers, and are fitted with internal compartments so that different types of products can be carried within the one vessel. In addition each tanker has its own onboard weighing system, allowing delivery weight self-calculation to within kilograms.

Both tankers feature their own diesel driven air compressor, making them totally self contained, and the latest in safety equipment with electronic braking systems and air suspension disc brake axles.

› Tankers designed for use with heavy slurry materials. Dry bulk technology was applied to these tankers to enable very viscous fluids to be efficiently handled and provide services previously not possible. They also enable dissimilar products to be carried. They are fully self-contained with onboard hydraulic driven pumping equipment. They are the first of their kind.

The application is drawing industry interest and is expected to open up a host of opportunities for Convair into the future.

FY10 GOALS

Convair expect the market to focus on maximising existing asset efficiency to continue in FY10, and are well-placed to capitalise on this trend by offering innovative maintenance and remanufacturing options, as well as new solutions to bulk haulage challenges.

Convair management will continue to focus on nurturing existing customer relationships and designing tailor-made packages to meet specific market needs.


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Drivetrain Power & Propulsion is a unique company with strategic global capacity and strong capability, covering the entire engineering product life cycle, within the power and propulsion field. Drivetrain is a flexible, execution-focused company, actively developing its structure as a Project Managed Organisation and underpinned by effective Integrated Management Systems. Drivetrain is comprised of three Operations Groups - Australasia, Europe and USA; and operates from 15 locations in 6 countries, with approximately 200 employees and AUD$100 million in operating revenue.

CORE SERVICES

Drivetrain operates in market segments which depend upon power and/or propulsion platforms, including Agriculture, Automotive, Defence, Distributed Power, Marine, Materials Handling, Oil & Gas; and Rail.

Drivetrain Power & Propulsion's core service offering includes:

- Maintenance repair and overhaul of systems and components.
- Professional and technical services matched to high level customer requirements.
- Application engineering, including small batch manufacturing.

Drivetrain are also authorised distributors for a large range of engineering products and spare parts; and in-field technical services.

FY09 PERFORMANCE

Drivetrain Power & Propulsion emerged in FY09 through the integration of Coote Industrial's key engine and powertrain business units. During a challenging financial year, Drivetrain Power & Propulsion consolidated resources, invested in business platform development, and executed a realistic strategy for building value.

Profit was impacted upon by a number of one-off costs incurred through the reorganisation; however the business is now considerably stronger and more efficient. A key market trend during FY09 was a shift in customer focus from capital expenditure to asset maximisation, as indicated by a decline in sales of new products, and increased demand for parts and Maintenance, Repair and Overhaul (MRO) services.

In early 2009, Drivetrain acquired the assets of Turbomeca's large frame turbocharger business and established the first HS Turbocharger capability centre at the Hedemora Diesel site in Sweden.

Drivetrain's revenues in Sweden have doubled since acquisition of the turbocharger range.

The group also made a package acquisition of three US-based businesses consisting of Eden Cryogenics, Cryogenic Technical Services and Hyradix whose products ranges complement existing Drivetrain offerings and bring important opportunities in the oil and gas sector.

FY09 ACHIEVEMENTS

Achievements by Drivetrain Power & Propulsion during the year include:

- Design, construction and commissioning of a new Hedemora V6B Submarine Research Engine on behalf of the Defence Science and Technology Organisation (DSTO). The engine is to serve as a test platform for Australian submarine engine application.
- Through Life Support services for Thales, Rolls Royce and ASC – maintaining power and propulsion for the Australian Army's Bushmaster vehicles; the Royal Australian Navy's LPA ships HMAS Manoora and HMAS Kanimbla; and the Collins Class Submarines.
- Engine overhaul on the semi-submersible platform "Borgholm Dolphin"; extending the operating life of the engines from 60,000 to 80,000 operating hours, to more than 120,000.

Drivetrain's Melbourne operations were awarded the prestigious "Ford Q1" certification during the year; recognising manufacturing excellence, superior quality and continuous improvement.

FY10 GOALS

In the forthcoming financial year, Drivetrain Power & Propulsion will continue to develop compelling new capabilities in its target segments, both creating and matching demand. The business development programme will lever the company's international presence to develop new markets. The implementation of best-practice business platforms, integration and optimisation of operations and refinement of the management function across the global business will continue.

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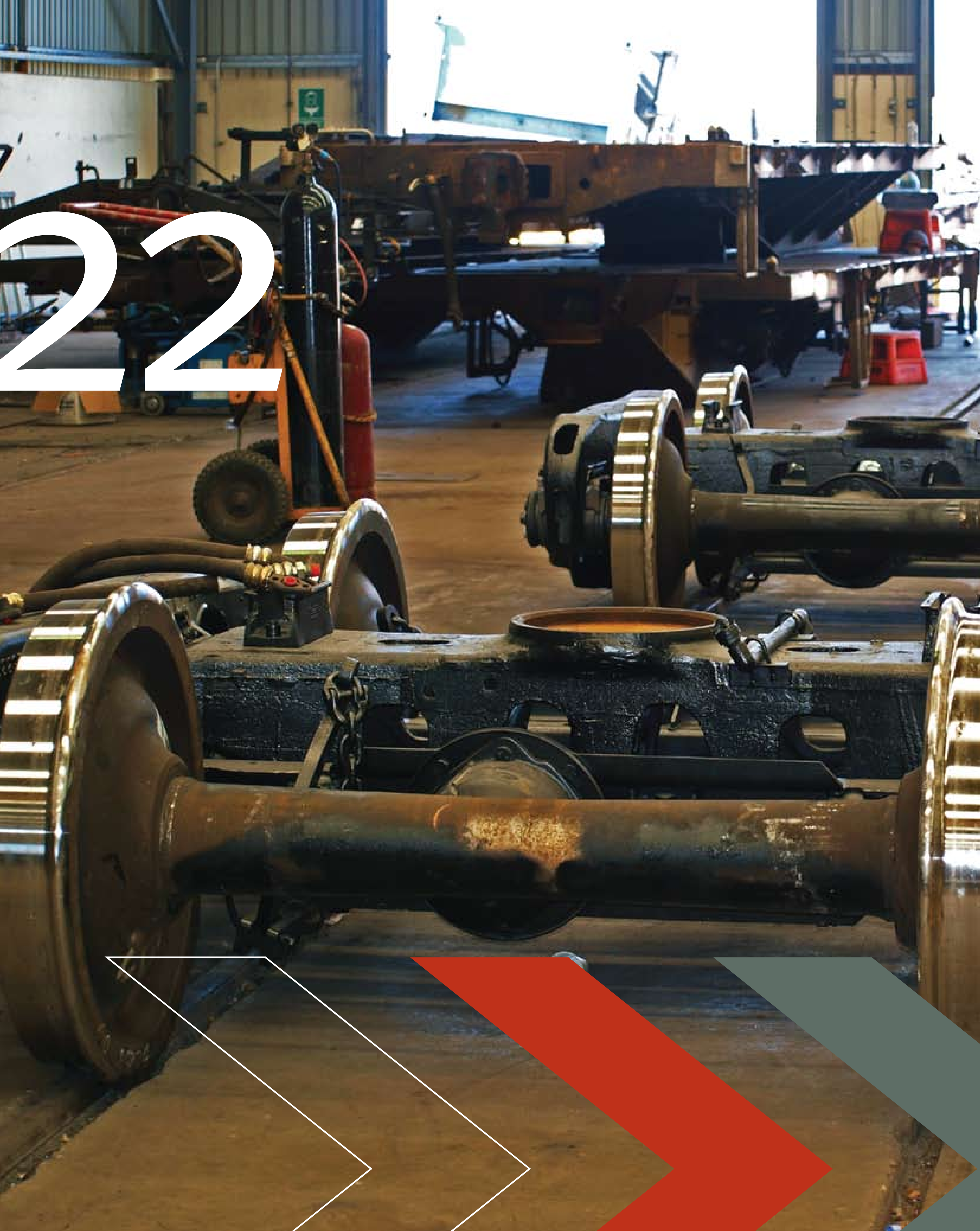


GEMCO RAIL

Gemco Rail specialise in the design, manufacture and maintenance of rolling-stock, and related equipment for the Australian rail industry. During FY09, Gemco established a national presence with operational facilities in Western Australia, South Australia, Victoria, New South Wales and Queensland; and expanded its core capabilities to include locomotive manufacturing and refurbishment.

CORE SERVICES

Gemco Rail's core service offering includes:

- Wagon design, manufacture and maintenance.
- Locomotive design, manufacture and maintenance.
- Specialised rail fabrication.
- In-service rail vehicle maintenance services.
- Agency product sales.
- Wheel shop.
- Railway bearing refurbishment services.

Drawing upon a newly established partnership for the supply of alternate engines to those currently dominating the Australian motive power fleet, Gemco are now able to offer rail operators refurbished locomotives incorporating modern, energy efficient engines which reduce operating and maintenance costs, and increase asset longevity.

FY09 PERFORMANCE

Extended delay in settlement of a substantial rolling-stock sale to Greentrains Ltd had significant effect upon Gemco Rail's financial position during FY09. This transaction impacted heavily upon cash flow, resulting in difficulties in meeting supplier payments on a timely basis, and with ongoing consequences for supply of goods and services.

A number of one-off costs were incurred through the integration of RTSG into the business, including expansion of capabilities at sites in Victoria, Queensland, South Australia and New South Wales to facilitate increased customer demand for services.

FY09 ACHIEVEMENTS

Gemco Rail continued to build on past achievements in this financial year by completing the acquisition of the Rail Technical Services Group (RTSG), increasing its core service offering to include locomotives; and through an expansion of facilities in South Australia, Victoria, New South Wales and Queensland.

Other noteworthy achievements by Gemco in FY09 include:

- Design and manufacture of a Rail Train with Straddle Crane for Pilbara Rail (Rio Tinto).
- Establishment, including tooling and staffing, of national locomotive maintenance centres.
- Rebuilding of 7 locomotives for Greentrains Ltd.
- Design and construction of 28 wagon rail train for BHP.
- Award of a contract manufacture 21 wagons for BHP Worsley Alumina.
- Manufacture of 40 container wagons for SCT Logistics.
- Supply of remote-control ballast wagon gates to customers nationally.
- Design and construction of a BHP Jumbo wagon.

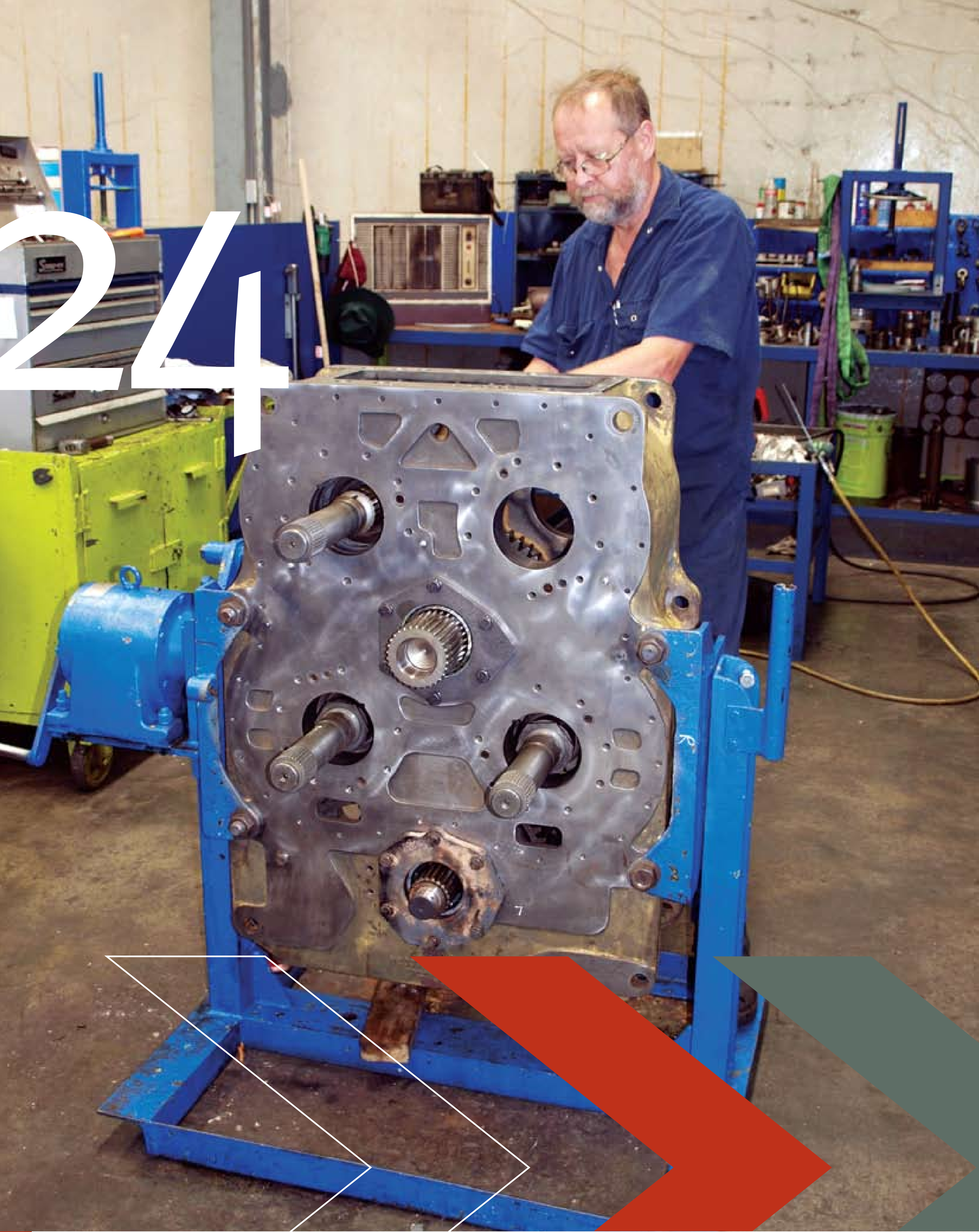
FY10 GOALS

Gemco's long-term goal is to establish itself as a first tier, national rolling-stock manufacturer and maintenance provider.

During FY10, Gemco will leverage its national network of workshop facilities to increase market-share in its traditional wagon manufacturing and maintenance activities, and exploit newly-developed capabilities in locomotive design, manufacture and maintenance.

Areas of specific focus include:

- Strengthening relationships with Caterpillar-owned Progress Rail to exploit opportunities for the new manufacture and sale of Australian-made locomotives.
- Ongoing development and realignment of national rolling-stock maintenance capabilities to better meet expected increase in demand driven by growth in the rail freight task.
- Exploration of opportunities for involvement in the passenger rail vehicle market.
- Establishment of national, "one-stop-shops" for all rolling-stock related services in key States.



INDUSTRIAL powertrain

Industrial Powertrain (incorporating the Industrial Powertrain and PC Diesel brands) had a very successful year despite economic slow-down in the resources market. Efforts concentrated on building relationships with existing and new clients, expanding operations into the east of Australia, and developing greater market presence. The proactive approach taken by the management of Industrial Powertrain has reaped rewards with major contracts being awarded for completion in FY10.

CORE SERVICES

Industrial Powertrain provides maintenance and repair services for industrial powertrain and drive-line equipment utilised in the mining, oil and gas, off-shore/ in-shore marine, rail and stationary power industries.

The company's core service offering includes:

- Workshop facilities for complete overhaul and refurbishment activities.
- Specialist field service teams providing in-situ maintenance and repairs to diesel engines in marine vessels and at remote mine-sites in Australasia.
- New and service-exchange parts and distribution.
- Authorised service agency and distributors for Electromotive Diesel (EMD) marine and stationary power engines in Australia and South East Asia through subsidiary PC Diesel.

Industrial Powertrain enjoys a very strong and loyal customer base of national, international and multinational companies including Sandvik, Rio Tinto, BHP, Argyle Diamond Mines, Atlas Copco and other major mining and industrial companies throughout Australia.

FY09 PERFORMANCE

Industrial Powertrain delivered a positive result despite an unstable and difficult economic climate. Activity subsidence in the resources sector resulted in a quieter-than-expected final quarter, capping potential profit growth.

During the period, Industrial Powertrain focused on consolidating its existing customer-base, developing new customers, developing marketing and branding strategies and establishing a broader market presence; together with the implementation of Group ERP and IT technologies.

FY09 ACHIEVEMENTS

In FY09, Industrial Powertrain extended its market presence through the appointment of Provision Pty Ltd as its authorised distributor for service-exchange equipment and parts sales in the eastern states. Provision offers large underground and mining equipment repairs and is a well recognised and respected contractor.

Major activities commenced or completed in FY09 include:

- Commencement of a 10-year contract for overhauling a fleet of EMD engines at Argyle Diamond Mine in the north-west of Australia.
- Supply of transmission and torque converter components for track maintenance vehicles housing Rail Flaw Detection (RFD) Systems sent to Japan or use in maintenance of railway lines.
- Completion of an overhaul of two EMD locomotive engines at their Welshpool workshop for Australian Rail Group.
- Commencement of major EMD engine overhauls at Newcrest Telfer involving fly in / fly out of PC Diesel technicians on an ongoing basis.
- Successful bid for in-situ overhaul of dredge engines in Glassford, Queensland.
- Successful bid for in-situ overhaul of engines onboard two tug boats, the Belanydo and the Broadsound, for Teekay Shipping in Mackay, Queensland.

FY10 GOALS

Industrial Powertrain focus throughout FY10 will be to increase market share in all sectors, capitalising on the foundation laid in FY09. A key objective will be to establish the business as a noteworthy contender in the mining, marine and industrial sectors.

Industrial Powertrain has experienced strong early FY10 demand; in particular for its service exchange components. FY10 forecast is very positive with high growth expectations.

Momentum

Momentum is a leading provider of services and personnel to the Australian rail, mining, engineering and construction industries. Services include provision of specialist supplementary labour, training and assessment, fully supervised and equipped work-crews to conduct rail track construction, maintenance and upgrade projects, and full work-force recruitment activities.

CORE SERVICES

During the last twelve months Momentum has continued to focus on the delivery of complementary technical personnel services through in its three key business areas of:

› Training, assessment and accreditation.

› Infrastructure maintenance and construction services to the rail industry, including specialist aluminothermic welding.

› Recruitment and skilled workforce solutions for the rail, mining, construction and related industries.

FY09 PERFORMANCE

Results remained strong during Q1, underpinned by activity in the closing stages of three major rail projects.

Recruitment and rail construction opportunities declined heavily during Q2 and Q3, with a number of major projects held in the planning stage in industry response to a worsening economic climate. Despite this hiatus, Momentum retained its workforce and protected its critical people investment in anticipation of market improvement in Q4 and beyond, and focused on business model rationalisation, marketing and training.

This was to prove a strategically sound direction; while infrastructure and recruitment activity remained slow, this was offset by a surge in demand for training and accreditation services in the last quarter. Strong results from subsidiary Centre for Excellence in Rail Training (CERT) underpinned a satisfactory consolidated key business contribution, illustrating the overall strength of this business services model.

FY09 ACHIEVEMENTS

Momentum has continued to build on prior year achievements to consolidate and streamline administration, recruitment processes, marketing, advertising, and financial management; with key staff being responsible for these areas on a national basis.

New offices have been established in the north-west town of Port Hedland to service current rail construction projects and expand Momentum's presence in the Pilbara region. In New South Wales, the Beresfield office has been transferred to larger, more functional offices located in Thornton (Newcastle) and the CERT training centre in Chullora (Sydney) has been totally refurbished to create a quality learning environment.

Key activities Momentum has undertaken this year include:

› Re-accreditation of CERT as a Registered Training Organisation by the Western Australian Training Accreditation Council, allowing them to continue delivering nationally-accredited training programs across Australia. CERT has continued to provide specialised safety training applicable to five major rail networks, including its first assignment for Queensland Rail.

› Contract award to source and supply specialised rail personnel to assist with construction of a duplicate iron-ore line for BHP's main rail line in Port Hedland.

› Rail maintenance teams contracted to the Australian Rail Track Corporation in north-western New South Wales to maintain 291km of operational track, with a subsequent 12 month extension to July 2010.

› Recruitment and selection of 100 staff for the labour pool of a major gas infrastructure construction project, along with a wide variety of niche recruitment services relating to specialised rail industry roles.

FY10 GOALS

During FY10 Momentum will realign its organisational structure to its key service offerings of Training and Assessment, Infrastructure Services and Recruitment, with subsequent rebranding of the business as "Total Momentum".

Opportunities for market growth in FY10 will be increased through an expanded portfolio of training products and services, enhanced rail infrastructure maintenance capabilities, and specialised labour hire services. New opportunities across Momentum's full range of services will be increased by Federal and private investment in major long-term transport infrastructure projects, some of which are already underway with Momentum involvement.


RL305
RL305
RL305
IRP CP
CP IRP
BP

SOUTHSPUR

Coote Industrial has recently merged the operations of South Spur Rail Services and Coote Logistics into a single business, branded "South Spur Logistics". The amalgamation of these two businesses was a unique opportunity to create an integrated logistics provider with a strong, established road, rail and port logistics experience and capabilities. New infrastructure works and forecast growth in the domestic freight task provide new opportunities for increased niche market share.

CORE SERVICES

The amalgamation of South Spur and Coote Logistics leverages their complementary customer bases and provides diversified exposure and coverage across the infrastructure, grain, mineral resources, container and general freight markets.

South Spur Logistics now enjoys a broad geographic and modal reach across Australia, with substantial operations in Western Australia and New South Wales, and strong operational presence in most Australian states.

South Spur Logistics provides the following core services:

› Locomotive operations including short-haul bulk freight transportation.

› Work trains (track laying, ballast trains, sleeper trains).

› Hook and pull; shunting operations; and port shuttle services.

› Specialist road transportation for mine-site supplies and outputs, grains, transportable housing, general and project freight.

› Port services, including accredited Australian Customs and Australian Quarantine and Inspection Service (AQIS) facilities and approved wash pad services.

› Distribution facilities, including dry and refrigerated container gantry and storage facilities for mine-site, agricultural, industrial and commercial products.

FY09 PERFORMANCE

Profitability during FY09 has been affected by a number of one-off costs, incurred due to a sharp weakening in international freight demand in late 2008 as well as several initiatives involving organisational restructuring, redundancies, and tenancy changes.

The business sharply reduced manning levels during the second half, in an effort to eliminate inefficiencies and increase profitability. The positive financial impact of this is not expected to be fully evident until FY10.

South Spur has taken a cautious and prudent approach to the development of its portfolio and maintenance of customer credit quality.

The business has also exercised greater efficacy in contract selection, with a focus on niche business that provides greater profitability and long-term growth opportunity.

FY09 ACHIEVEMENTS

Recent rail service contracts undertaken by South Spur include:

› Provision of work trains, rail construction services, locomotives, steel train and ballasting trains to Laing O'Rourke, for the construction of Fortescue Metals' new Pilbara railway.

› Ongoing provision of rail operations in support of the Southern Improvement Alliance project involving construction of passing loops on the Sydney to Melbourne main line.

FY10 GOALS

South Spur Logistics' objective is to achieve and maintain sustained growth and profitability, underpinned by long-term contractual relationships, key business integration and capability enhancements, and ever-present high barriers to entry.

South Spur is well-positioned to attract a substantial volume of work arising from anticipated near-term publicly-owned rail infrastructure construction and maintenance activities, and forecast growth in the rail freight task.

Rail infrastructure construction and maintenance continue to be a high priority for government budgets, with significant capital investment programs in the freight and passenger rail sectors being commissioned and accelerated by Australian Commonwealth and State governments.

FY10 direction

LOOKING FORWARD

The Board consider that the business will face continuing challenges during FY10 and have highlighted three key matters which will significant affect the company's fortunes:

1. Settlement of the first tranche rolling-stock sale to Greentrains Ltd - as previously announced, Greentrains has settled on the first tranche sale of rolling-stock. This had the immediate effect of delivering $10m into Coote Industrial Ltd's working capital and a reduction in debt of $34m.

2. Finalisation and settlement of the second tranche of locomotive assets by Greentrains Ltd to the value of $35m. Settlement and subsequent leasing of T2 assets to South Spur Logistics will fulfil that company's immediate rolling-stock fleet requirements, and will result in full utilisation of Greentrains' fleet over the medium to long-term period. Following settlement of T1, Greentrains has attracted further interest in its operations, and as a consequence Coote Industrial expects that proceeds from T2 will be settled soon after completion and delivery. This is anticipated to reduce debt in Coote Industrial by a further $25m, with the balance to working capital.

3. As announced previously, BurnVoir Corporate Finance Ltd has been appointed to undertake the sale of South Spur Logistics. This business no longer fits with Coote Industrial's strategy of developing a substantial engineering and technical service-based enterprise and also risks competing with Coote Industrial's major customers. Proceeds from the sale are expected to go towards further debt reduction.

KEY BUSINESS ACTIVITY

- New opportunities arising from the development of Gemco Rail's locomotive manufacturing and maintenance activities, aided by a significantly expanded national presence.
- An expanding Drivetrain Power & Propulsion presence at international level.
- Recent acquisition of cryogenics business in the US which has positive growth prospects within the US, as well as opening opportunities for increasing Drivetrain Power & Propulsion exposure within the oil and gas industries in Australia.
- Recent acquisition of large mainframe turbochargers IP, is expected in the first year to double the size of our existing EU activities.
- Orders received for major service works in resources underpin the year's revenues for key business Industrial Powertrain.

Financial Results

directors' report

The Directors of Coote Industrial present their report on the consolidated entity which includes its controlled entities (Group) for the financial year ended 30 June 2009.

DIRECTORS

The following persons were Directors of Coote Industrial Limited during the period from 1 July 2008 until 30 June 2009:

DONALD HECTOR
BE(Chem), PhD, FAICD, FIEAust, FIChemE
Non-Executive Director (Chairman)

Appointed: 2 November 2006
Age: 59
Special Responsibilities: Member of Audit Committee
Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings:

Shares 55,650
Options 300,000

Don has 15 years experience in senior executive management and CEO positions with industrial companies. He was Managing Director of Dow Corning Australia Pty Ltd, the Australian subsidiary of Dow Corning Corporation and was Managing Director of Asia Pacific Specialty Chemicals Ltd, an ASX-listed chemical company. Don is a non-executive director of SEMF Pty Ltd, a multidisciplinary engineering consulting firm. He is also on the board of Engineering Sydney at the University of Sydney and is a Council member of one of Sydney's leading independent schools.

MICHAEL COOTE
BE(Mech), MAICD
Managing Director

Appointed: 28 June 2006
Age: 46
Special Responsibilities: N/A
Directorships held in other listed entities in the past three years: Previously non-executive director, Natural Fuels Ltd

Summary of current equity holdings:

Shares 42,811,164
Options -

Mike initially worked in the family transport business. After completing his Mechanical Engineering Degree in 1985 he was involved with heavy mining equipment, waste crushing, conveying projects and locomotive maintenance for Mt. Newman Mining (BHP). In mid 1989 he founded Globe Turbocharger Specialties Australia, providing large diesel engine operators with quality aftermarket spares. Utilising his experience in heavy vehicle design, diesel engines and projects management, Mike developed the business across a broad platform, re-badging it as GTSA Engineering to better represent the company's activities. Over the ensuing years the company has continued to evolve as Coote Industrial Limited.

DON PATTERSON
BBus, MAICD
Director and Chief Executive Officer

Appointed: 28 June 2006
Age: 51
Special Responsibilities: N/A
Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings:

Shares	1,757,787
Options	2,000,000

Don was employed in accounting roles in heavy engineering before joining Wesfarmers – Rural Division, leaving after 5 years to take up senior management positions in the finance, retailing and hospitality industries. Prior to joining Coote Engineering in 2002 he spent five years in commercial property development with Citygate Properties. Don initially assumed the role of Financial Controller, then additionally General Manager of subsidiary GTSA Engineering. Over the past seven years Don has implemented considerable structural reform, planning and other improvements supporting Coote Industrial Limited's historical growth and preparing a platform to meet future expectations.

GLENN PARRETT
BCom (Finance & Economics), MAICD
Executive Director

Appointed: 28 June 2006
Age: 44
Special Responsibilities: Member of Audit Committee, CEO Drivetrain
Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings:

Shares	247,507
Options	250,000

Glenn has more than 15 years experience delivering against total business plan responsibility, including General Manager and Managing Director roles with engineering sales and service businesses. Underpinned by Certificate studies in Mechanical Engineering, Glenn built experience in application engineering, technical sales and subsequently project and business management in the power and propulsion segment. Having completed a degree in Finance and Economics with High Distinction average, Glenn was awarded life membership of the Golden Key National Honour Society and has undertaken postgraduate studies in Business Law at Sydney University. After delivering key projects and acquisitions for Coote Industrial at corporate level, Glenn's focus from FY09 is the integration, performance and development of the group's power and propulsion businesses.

directors' report

PETER WILSON
GAICD
Executive Director

Appointed: 2 November 2006
Resigned: 8 January 2009
Age: 61
Special Responsibilities: Former member of Audit Committee
Directorships held in other listed entities in the past three years: N/A

Summary of current equity holdings:

Shares	N/A
Options	N/A

Peter is a qualified Master Mariner and has extensive management experience in the shipping, stevedoring and logistics fields both in the United Kingdom and Australia. Prior to joining Coote Industrial Peter worked for Patrick Corporation's Auto and General Division in a business development role. Prior to his time at Patrick, Peter was adviser to the Federal Minister for Workplace Relations and Small Business based in Canberra. Peter is experienced in the areas of materials handling, shipping and in the major logistics and transport processes of mining and resources.

MUSTAPHA DARWISH
BCom (Accounting & Finance) CPA
Company Secretary/Chief Financial Officer

Appointed: 2 November 2006

Summary of current equity holdings:

Shares	13,500
Options	100,000

Mustapha worked for 2 years in public practice before joining Coote Industrial in 2004. He has worked for the past five years in various corporate financial management roles before being appointed Group Chief Financial Officer and Company Secretary in early 2007.

PRINCIPAL ACTIVITIES

The principal activities of the group during the financial year were:

TECHNICALLY BASED SALES & SERVICE

- Project Management
- Engineering Services
- Manufacturing & Fabrication
- Repair & Maintenance Services
- Plant, Equipment and Component Sales
- Rail Infrastructure Services
- Rail Operations
- Freight Logistics
- Personnel Services

RESULT SUMMARY

	FY 09		FY 08		Dec. %
Revenue	$317.362	m	$347.893	m	(8.78)
EBITDA	$21.900	m	$47.501	m	(53.90)
EBIT	$10.384	m	$40.795	m	(74.55)
NPAT	($4.541)	m	$22.012	m	(120.63)
EPS					
› Basic Earnings	(3.87)	¢	21.68	¢	(117.85)
› Fully Diluted	-	¢	20.58	¢	-
Dividend	-	¢	8.50	¢	(100.00)

YEAR IN REVIEW

FIRST HALF

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

(a) pressure on margins, as economic conditions slowed from early Q2,

(b) foreign exchange losses as a consequence of the rapid fall in the A$ against the US$ in October 08,

(c) higher than anticipated debt costs; and

(d) one-off costs in relation to terminations and redundancies, as a consequence of both planned integration of key businesses and in anticipation of reduction in business activity due to the rapid change in economic outlook.

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

SECOND HALF

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

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

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

directors' report

DESCRIPTION	COST $M
Terminations and Redundancies	1.85
Impairment of commercial hire equipment	0.86
Loss on Sale of commercial hire equipment	0.51
Stock write-downs	0.20
Gain on acquisition (US purchase)	(1.97)
Profit impact on settlement of Greentrains T1	2.55
Fair value adjustments - Share write-downs	0.45
Foreign Exchange Loss	2.62
TOTAL	7.07

BACKGROUND ON SALE OF ROLLING-STOCK TO GREENTRAINS LTD

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

RTSG lacked the maintenance capability required by South Spur to support the fleet and to meet South Spur's operational requirements. The leased assets were mostly of locomotive classes currently in operation with the fleets of the major Australian rail operators; however they required major refurbishment, as did other rolling-stock assets owned by South Spur.

Coote Industrial, through its rolling-stock maintenance business, Gemco Rail, acquired the entire fleet of leased assets from Allrail. A programme of work was commenced to provide South Spur with a reliable, efficient rail fleet and to realise the significant underlying value of the rolling-stock. During the six months prior to 30 June 2008, Gemco Rail rebuilt and refurbished a number of these locomotives and wagons. As asset ownership is not core to Coote Industrial's business, these locomotives were sold to Greentrains Limited. Greentrains is a separate, low-operational-cost, infrastructure entity incorporated for the purpose of owning and leasing rolling stock to rail operators, including South Spur. The sale assets were independently valued and the probable market rental rates for the assets were considered to approximate the likely cost of funding.

As matters eventuated, the sale of rolling-stock from Coote Industrial to Greentrains occurred at the onset of the global financial crisis and Greentrains was unable to complete the transaction as originally intended due to unforeseen complications in securing funding. Over a period of twelve months, the directors of Greentrains remained consistently engaged with potential debt providers via both formal and informal expressions of interest, but were unsuccessful in attracting suitable interest. As noted in previous announcements, the receivable due to Coote Industrial from Greentrains was originally $82.7m, of which more than $57m had been invested in the rolling-stock refurbishment programme.

Greentrains finalised the sale of an initial tranche of rolling-stock with a payment of $44m, as announced on 17 July 2009, of which Coote Industrial applied $34m to debt and the balance to working capital. To achieve settlement of the outstanding receivable for this first tranche, Coote Industrial agreed to convert $16.5m of the original receivable of $82.7m to equity in Greentrains. This materially reduced the funds Coote Industrial expected to have available for debt reduction and working capital.

Absence of these critical funds to repay debt and to provide working capital, hampered Coote Industrial's ability to continue to invest in further integration and other important programmes. Financial constraints prevented Coote Industrial from procuring inventory and to fund work required to adequately meet customers' immediate needs. Significantly, in part due to the sharp, world-wide contraction in liquidity, Coote Industrial encountered increased debt funding costs, which were much higher than expected.

During the lengthy process of working with the directors of Greentrains to secure suitable investment to enable payment of the receivable due to Coote Industrial, Coote Industrial approached a number of sophisticated investors, including Mr Dale Elphinstone, to determine interest in investing in both Coote Industrial and Greentrains. Given the circumstances surrounding the transaction, the likelihood of success and requirements for working with sophisticated investors was deemed to be more realistic than would have been the case in dealing with a broader offering.

Mr Elphinstone's company, Elph Pty Ltd ("Elph"), made an investment in Greentrains and Coote Industrial, as announced on 24 April 2009. Elph subsequently made a further investment in Coote Industrial, as outlined in announcement of 17 July 2009. Coote Industrial used these further funds to acquire equity in Greentrains (thus enabling Greentrains to meet the minimum debt to equity ratio required as a condition of the funding it secured to finalise the initial tranche of rolling stock) and for working capital. This enabled Greentrains to complete the first tranche transaction, thereby providing much-needed working capital for Coote Industrial. Subsequently, this has attracted further investment interest in Greentrains, with attention from investors where stable, long-term returns are required. These interested parties include other Australian companies as well as international leasing entities seeking entry into the Australian market.

Some of the arrangements with Elph require shareholder approval and an Extraordinary General Meeting of Coote Industrial Ltd will take place in Perth on Wednesday, 21 October, 2009 to consider them.

GOODWILL

The Directors have reviewed the recoverable value of goodwill and amortisation of identified intangibles and consider that the carrying value of those assets provides a true and fair view. It should be noted that the balance of intangibles has been reduced by $46m over the past 2 years, excluding other nominal value acquisitions. Further details can be found in Note 15.

DIVIDEND

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

ACQUISITIONS

Coote Industrial made three small acquisitions during FY09, which are expected to add considerably to Drivetrain Power and Propulsion's future profitability and which are part of the strategy to develop a global presence for the business. The acquisitions enhance Drivetrain's position in both Europe and the USA.

Turbomeca Turbocharger Assets Acquisition

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

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

HS turbochargers are the most efficient available in their application range and are recognised by major diesel engine manufacturers as an important solution. Drivetrain is developing tangible and important opportunities for turbocharger sales to OEMs and retrofit projects with attractive payback.

Ongoing spare parts sales are supported by a worldwide population of more than 9000 turbochargers.

The diesel and gas engine application range for HS Turbochargers is 1,000kW – 3,700kW. The market for turbocharger spares is predominately in the rail sector. Opportunities for new turbocharger sales exist in the OEM, rail, power generation and marine segments. Major customers include MAN Diesel, Wartsila (Finland), DCNS, and railway operators in France, Turkey, Iran, Malaysia, India and Brazil.

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

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

CTS and Eden Cryogenics

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

CTS and Eden Cryogenics are engaged in the manufacture of a number of contracted, purpose-built products in cryogenics for major American customers, including NASA Stennis, Tyco, Bechtel, NASA SSC, Ball Aerospace, Orbital Sciences, Merrick, Sphere Optics, and BASF.

Hyradix, a manufacturer of hydrogen reformers, formed part of the initial acquisition package, but is not considered to fit with the cryogenic businesses, nor the broader group model.

This business has been selected for divestment and Coote Industrial is currently working with interested parties.

OTHER ACTIVITIES

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

› Staff redundancies (283 people) at a cost of $1.85m in anticipation of both a downturn in revenues and as a consequence of key business integration. As indicated in the financial statements, revenues have remained relatively constant and this has continued into early FY10. However, the board considers that prudent capacity adjustment is required to mitigate the risk that economic conditions may deteriorate further, or not improve quickly.

› Focus has continued on implementation of the SAP business platform and measures that protect and secure data integrity by developing a business continuation site. The development and implementation of integrated business systems has continued.

LOOKING FORWARD

The Directors consider that the business will face continuing challenges during the remainder of 2009 and into 2010. The Board has highlighted three key matters for particular attention:

(a) Settlement of the first tranche rolling-stock sale to Greentrains Ltd

As previously announced, Greentrains Ltd has settled on the first tranche (T1) sale of rolling-stock. This had the immediate effect of delivering $10m into Coote Industrial Ltd's working capital and a reduction in debt of $34m.

(b) Finalisation and settlement of the second tranche (T2) of locomotive assets by Greentrains Ltd to the value of $35m

Settlement and subsequent leasing of T2 assets to South Spur Logistics will fulfil that company's immediate rolling-stock fleet requirements, and will result in full utilisation of the Greentrains' fleet over the medium to long-term period.

T2 rolling-stock refurbishment works have been accounted for in accordance with construction contract requirements, consistent with CIL policy (see Note 1e).

Greentrains has attracted further interest in its operations following the settlement of T1, and as a consequently Coote Industrial expects that proceeds from T2 will be settled soon after completion and delivery. This is anticipated to reduce debt in Coote Industrial by a further $25m, with the balance to working capital.

(c) Sale of South Spur Logistics

As announced previously, BurnVoir Corporate Finance Ltd has been appointed to undertake the sale of South Spur Logistics. This business no longer fits with Coote Industrial's strategy of developing into a substantial engineering and technical service-based enterprise and also risks competing with Coote Industrial's major customers. Proceeds from the sale are expected to go towards further debt reduction.

AFTER BALANCE DATE EVENTS

A number of after balance date events have occurred since signing of this report. Further details can be found on Note 29.

ENVIRONMENTAL ISSUES

Groups operations are subject to significant environmental regulation under the law of the Commonwealth and States, including noise, air emissions and the use, handling, haulage and disposal of dangerous goods and wastes.

The Group uses practices that minimise adverse environmental impacts and provides appropriate feedback on the Group's environmental performance to ensure compliance.

The Board is not aware of any significant breaches during the periods covered by this report nor does it consider the Group is subject to any material environmental liabilities.

NATIONAL GREENHOUSE AND ENERGY REPORTING GUIDELINES

The Group is not subject to the conditions imposed by the registration and reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (the Act), and is not registered with the Greenhouse and Energy Data Office.

The Group has not exceeded the corporate threshold and is therefore not required to report on total greenhouse gas emissions or energy consumption/production of the Group.

REMUNERATION REPORT

Overview

This report details the nature and amount of remuneration for each director of Coote Industrial Limited, and other key executives (including the most highly remunerated executives) who have strategic commercial impact upon Coote Industrial Limited's activities.

Remuneration Policy

The remuneration policy of Coote Industrial Limited is intended to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Coote Industrial Limited believes the approach to remunerating to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated group is as follows:

› All executive directors and key executives receive a salary package comprised of a base salary, superannuation, fringe benefits and performance bonuses.

directors' report

In future, it is intended that packages will also include options in accordance with the company's Employee Share and Option Plan.

› The board will review executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

› The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits, which are aligned with shareholder value. The developing remuneration policy will be designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

› The executive directors and other key executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

› All remuneration paid to directors and executives is valued at cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Bi-nomial option valuation methodology.

› The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

› To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance-based Remuneration

Part of each executive director and executive's remuneration package is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors and executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors and executives. The measures are specifically tailored to the areas each director and executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, currently the KPIs are essentially financial related but are intended to include non-financial as well as short- and long-term goals. The KPIs are derived from the individual key business return on capital contribution to Group financial performance and the focus on measures delivering cash flow management.

The company will utilise the Employee Share and Options Plan as an additional tool to remunerate directors and executives in a manner to increase goal congruence between shareholders, directors and executives.

The following table shows the gross revenue, profits and dividends for the last 3 years since listing for Coote Industrial, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in profits as well as an increase in dividends paid to shareholders over the past two years except for the most recent year. As a consequence, increases in executive salaries have been constrained in line with delivery of performance measures.

The Board is of the opinion that these outcomes can be attributed in part to the previously described remuneration policy and is satisfied that improvement in delivery of the KPIs and subsequent increase in rewards to executives will lead to increased shareholder wealth.

	2007	2008	2009
Revenue	69,416	347,893	317,362
Net Profit	8,174	22,012	(4,541)
Share Price at Year-end	2.05	1.22	0.22
Dividends Paid	5.9c	8.5c	0.0c
Earnings Per Share (diluted)	17.22	20.58	N/A

The directors felt the share price has moved with market sentiment reaching a high of $3.13 early in FY08 to a low of $0.12 in FY09. To create a greater awareness the company has commenced a corporate re-branding in line with its integration and restructuring approach to simplifying the business. The company has also recently updated its corporate website.

Key Management Personnel Remuneration Structure

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis.

Some of the key businesses emphasise payment for results by providing various cash bonus reward schemes based on internal KPIs both financial and non-financial targets. The objective of the reward scheme is to both reinforce the short- and long-term goals of the key business and to provide a common interest between all staff. The basis of the bonus scheme is being developed across all entities of the group; it may be displaced by the company's employee share and option plan.

The employment conditions of key management personnel are formalised in contracts of employment. The employment contract does not stipulate a term of employment period but does stipulate notice period for resignation and periods of remuneration and conditions under termination. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

The board determines the proportion of fixed and variable compensation for each key management personnel - refer to table on pg 42.

directors' report

		Short-Term Benefits		Post Employment Benefits		
		Cash, Salary &Commission $	Non-Monetary Benefits	Other	Superannuation	Termination Benefits
EXECUTIVE DIRECTORS						
M Coote	2009	475,000	-	-	50,000	-
MANAGING DIRECTOR	2008	400,365	-	-	48,134	-
D Patterson	2009	414,905	25,835	-	37,371	-
CHIEF EXECUTIVE OFFICER	2008	315,614	6,703	327,500[1]	30,220	-
G Parrett	2009	359,799	30,946	-	25,214	-
CEO – DRIVETRAIN	2008	229,192	17,198	48,400[1]	20,977	-
P Wilson (resigned 08/01/2009)	2009	177,719	-	-	12,150	454.018
	2008	252,456	-	48,500[1]	22,203	-
Sub – total	2009	1,427,423	56,781	-	124,735	454,018
	2008	1,197,627	23,901	424,400	121,534	-
NON EXECUTIVE DIRECTORS						
D Hector	2009	118,353	-	-	-	-
CHAIRMAN	2008	100,000	-	-	-	-
Sub – total	2009	118,353	-	-	-	-
	2008	100,000	-	-	-	-
OTHER KEY MANAGEMENT						
K Pallas	2009	185,001	-	-	14,850	-
CHIEF OPERATING OFFICER	2008	167,467	-	-	14,019	-
M Darwish	2009	143,799	-	-	11,160	-
CHIEF FINANCIAL OFFICER/COMPANY SECRETARY	2008	138,837	-	-	10,662	-
Tim Symons	2009	208,161	21,749	-	17,714	-
CEO – SOUTH SPUR LOGISTICS	2008	-	-	-	-	-
J Wilson (resigned 01/08/2009)	2009	47,960	-	-	15,508	271,842
CEO – SOUTH SPUR RAIL SERVICES	2008	286,867	6,111	-	22,604	-
S Bassan	2009	240,723	19,492	62,771	40,435	-
CEO – GEMCO RAIL	2008	181,097	-	-	18,336	-
A Marsh	2009	229,350	-	-	20,650	-
CEO – MOMENTUM RAIL	2008	185,701	-	-	13,050	-
Peter Swann	2009	151,479	51,042	-	17,943	-
CEO – CONVAIR	2008	134,393	71,326	-	12,095	-
Peter Croswell	2009	170,677	-	-	15,361	-
CEO – INDUSTRIAL POWERTRAIN	2008	151,442	30,853	-	13,630	-
SUB – TOTAL	2009	1,377,150	92,283	62,771	153,621	271,842
	2008	1,245,804	108,290	-	104,396	-
TOTAL	2009	2,922,926	149,064	62,771	278,356	725,860
	2008	2,543,431	132,191	424,400	225,930	-

	Other Long-Term Benefits $	Share-based Payment Equity $	Options $	Total $	Performance Related %	Represented By Options
2009	-	-	-	525,000	-	-
2008	-	-	-	448,499	-	-
2009	-	-	-	478,111	-	-
2008	-	-	-	680,037	-	-
2009	-	-	-	415,959	-	-
2008	-	-	-	315,767	-	-
2009	-	-	-	643,887	-	-
2008	-	-	-	323,159	-	
2009	-	-	-	2,062,957	-	-
2008	-	-	-	1,767,462	-	-
2009	-	-	-	118,353	-	-
2008	-	-	-	100,000	-	-
2009	-	-	-	118,353		
2009	-	-	-	100,000	-	-
2009	-	-	-	199,851	-	-
2008	-	-	-	181,486	-	-
2009	-	-	-	154,959	-	-
2008	-	-	-	149,499	-	-
2009	-	-	-	247,624	-	-
2008	-	-	-	-	-	-
2009		-	-	335,310	-	-
2008	-	-	-	315,582	-	-
2009	-	-	-	363,421	-	-
2008	-	-	-	199,433	-	-
2009	-	-	-	250,000	-	-
2008	-	-	-	198,751	-	-
2009	-			220,464		
2008	-	-	-	217,814	-	-
2009	-	-	-	186,038	-	-
2008	-	-	-	195,925	-	-
				1,957,667		
2009	-	-	-	1,458,490	-	-
				4,138,977		
2008	-	-	-	3,325,952		-

(1) Amounts in 'Other' include bonuses paid to directors in lieu of share options to be issued during the year, and other bonus payments.
Total amounts were paid in cash.

directors' report

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009

Options are issued to directors and executives of Coote Industrial Ltd and its subsidiaries to increase goal congruence between executives, directors and shareholders. There were no options issued to any personnel in this financial year and subsequent to the date of issue of this report.

2008 DIRECTORS	Balance 1 July 2007	Options granted as part of remuneration	Options exercised	Options lapsed	Balance 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008
NON EXECUTIVE DIRECTORS							
D Hector	300,000	-	-	-	300,000	300,000	300,000
EXECUTIVE DIRECTORS							
M Coote	-	-	-	-		-	-
D Patterson	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
G Parrett	250,000	-	-	-	250,000	250,000	250,000
P Wilson	250,000	-	-	-	250,000	250,000	250,000
OTHER KEY MANAGEMENT							
M Darwish	100,000	-	-	-	100,000	100,000	100,000
TOTALS	2,900,000	-	-	-	2,900,000	2,900,000	2,900,000

2009 DIRECTORS	Balance 1 July 2008	Options granted as part of remuneration	Options exercised	Options lapsed	Balance 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 200
NON EXECUTIVE DIRECTORS							
D Hector	300,000	-	-	-	300,000	300,000	300,000
EXECUTIVE DIRECTORS							
M Coote	-	-	-	-		-	-
D Patterson	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
G Parrett	250,000	-	-	-	250,000	250,000	250,000
P Wilson	250,000	-	-	(250,000)	-	-	-
OTHER KEY MANAGEMENT							
M Darwish	100,000	-	-	-	100,000	100,000	100,000
TOTALS	2,900,000		-	(250,000)	2,650,000	2,650,000	2,650,000

No options were exercised during the financial year and subsequent to the issue of this report.

MEETINGS OF DIRECTORS

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
D Hector	15	15	4	4
M Coote	15	14	0	0
D Patterson	15	15	0	0
G Parrett	15	15	4	4
P Wilson	4	4	2	2

INDEMNIFYING OFFICERS

The company has indemnified and paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

D Hector D Patterson G Parrett

M Coote P Wilson

OPTIONS

At the date of this report, the unissued ordinary shares of Coote Industrial Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price $	No. Under Option
27/11/06	14/12/09	1.00	2,650,000
14/12/06	14/12/09	1.00	1,500,000
29/02/08	29/08/11	3.00	1,000,000
29/02/08	29/08/11	3.50	1,000,000
29/02/08	29/08/11	4.00	1,000,000
			7,150,000

During the year ended 30 June 2009, no ordinary shares of Coote Industrial Limited were issued on the exercise of options granted.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the company's external auditor.

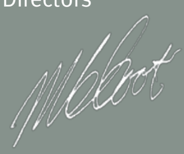
AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 47 of the Directors' Report.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors



Michael Charles Coote
Managing Director
Dated this 30th Day of September 2009

directors' declaration

In the directors' opinion:

(a) The financial statements and notes are set out in pages 54 to 111 are in accordance with the Corporations Act 2001, including:

i. Complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements, and

ii. Give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) The audited remuneration disclosures set out in the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001, and

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.

Michael Charles Coote
Managing Director
Dated this 30th Day of September 2009

Bentleys
Thinking ahead

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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 audit of the financial report of Coote Industrial Limited and Controlled Entities for the year ended 30 June 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 audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2009

Bentleys
Thinking ahead

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Independent Auditor's Report

To the Members of Coote Industrial Limited

We have audited the accompanying financial report of Coote Industrial Limited (the company) and Coote Industrial Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Coote Industrial Limited and Coote Industrial Limited and Controlled Entities (the consolidated entity), is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Inherent Uncertainty Regarding Collection of Amounts owing from Greentrains Limited and Associated Transactions

Without qualification to the opinion expressed above, we draw attention to Note 10 to the financial statements. The consolidated entity was owed $82.713M at 30 June 2009 from the sale of rolling stock to Greentrains Limited ("Greentrains") which was transacted in the financial year then ended. As announced on 17 July 2009, Greentrains finalised settlement of a component of the receivable amount of the monies due from the initial tranche resulting in a cash payment of $49.095M to Coote Industrial, of which $34M was applied to debt and the balance to working capital. The balance of the original receivable due was settled with an issue of a credit note for $17.200M, retaining a number of locomotives, and the conversion of $16.548M to equity in Greentrains, as noted in Note 29(a).

As mentioned in Note 29(b), Coote Industrial recently announced an Extraordinary General Meeting to be held on 21 October 2009 to approve the issue of shares and convertible notes to Elph Pty Limited. This is the corporate fund which also assisted Greentrains in completion of the Tranche 1 funding. We are unable to anticipate the outcome of the meeting and the ratification of the funding provided to Coote.

As referred to in Note 10(c), Coote Industrial entered into agreement to provide further rolling stock to Greentrains in a second tranche. Coote Industrial (consolidated entity) has invoiced Greentrains for $17.550M for completed rolling stock and accrued income of $17.237M for yet to be completed rolling stock. The Directors are of the belief the rolling stock will be completed and the balance invoiced to Greentrains and the total amounts will be recoverable. It is our understanding settlement of the second tranche of rolling stock, when completed and accepted by Greentrains, will be by a raising of both debt and equity. The ultimate outcome of this matter cannot presently be determined and no provision for impairments have been made in this financial report.

The uncertainty with recoverability of the receivable from Greentrains, due to the uncertainty in Greentrains obtaining funding and/or completing the capital raisings, may affect the recoverability of other assets in the parent and consolidated entity.

We draw your attention to Note 30 and the reclassification of long term debt facilities into current liabilities as these facilities expire within 12 months and note the loan leverage covenant defaults. This results in a presumed working capital deficiency in the parent of $85.476M and in the consolidated entity of $15.126M on the basis that none of the debt facilities are rolled over. Initiatives undertaken by management to address these working capital investment issues are summarised in Note 21(c). Management are confident that these initiatives, including the capital raisings of Greentrains, the prospective sale of South Spur Logistics and potential Coote Industrial capital raisings will resolve any net working capital deficiencies and that the Group will be able to renegotiate facility extensions for any remaining balances outstanding. 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 Group 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. The outcome of these matters cannot currently be determined and no provision for any impairment on these intangible assets has been made in this financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Coote Industrial Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2009

corporate government statement

The Company and the Board are committed to achieving compliance with all the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council. This statement outlines the main corporate governance practices in place throughout the financial year, with specific references made to any departures from the best practice recommendations. Further details are available on the company's website www.coote.com.au.

ROLE OF THE BOARD

The role of Coote Industrial's Board is to protect and promote the interests of the company and to represent its shareholders whilst considering the interests of other stakeholders including employees, customers, suppliers, wider communities and the environment. It does this according to the principles of good corporate governance intending to fulfil the company's responsibilities as a corporate citizen.

The Board operates under a Board Charter; which describes the processes used by the Board to:

› appoint, review the performance of the Managing Director and CEO;

› approve key strategic decisions including, but not limited to, acquisitions and divestments;

› approve annual revenue, operating expenditure, and capital budgets;

› approve significant changes in organisational structure;

› determine and approve the remuneration of the Managing Director and CEO;

› approve the remuneration of executive management;

› formally adopt any communication to regulators and shareholders as may be required by the company constitution, statute, or other regulation.

The Board may change by resolution any power reserved to itself.

EXECUTIVE DELEGATION

Other than those matters reserved by the Board to itself, the Board delegates to the Managing Director and CEO all authority to achieve the company's objectives consistent with this Governance Charter, the company constitution, statute or other regulation.

The Managing Director and CEO, prepare a one year operational and financial plan for approval by the Board.

BOARD STRUCTURE

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed earlier in this Annual Report.

The names of the independent directors of the company are:

D Hector

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

› less than 10% of company shares are held by the director and any other entity or individual directly of indirectly associated with the director;

› no sales are made to or purchases made from any entity or individual directly or indirectly associated with the directors, and

› none of the directors income of the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

The Board reviews the independence of its directors in light of the information provided to it.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the board prior to incurring any expense on behalf of the company.

MEETINGS OF THE BOARD

The board meets formally at least four times per year and on other occasions as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings. In addition to the formal meetings the Board frequently meets to consider important issues affecting the company.

The number of meetings held and attended by each of the directors for the financial year ended 30 June 2009 is set out in the Directors' Report.

BOARD MEMBERSHIP

APPOINTMENT

Board members are nominated by the Board and their appointment confirmed by a vote of shareholders. The Board will have a minimum of one non-executive director who will be free of material relationships with the company and who would be reasonably considered by shareholders to be independent. This policy is not consistent with ASX Best Practice Recommendation 2.1 and the appointment of an additional non-executive director is planned for FY10.

The expectation of directors is that they will be of unquestioned integrity and honesty; will understand and behave to the highest standards of corporate governance and will be prepared to question, challenge, and criticise matters of strategy.

Directors will be appointed according to the contribution they can make in meeting strategic skill requirements of the company. Remuneration of directors will be transparent and reported in its entirety to shareholders.

Directors are expected to continue to develop their skills through ongoing education and training.

RETIREMENT AND RE-ELECTION

The constitution of the company requires one third of the directors, other than the managing director, to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next following annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting.

Directors cannot hold office for a period in excess of three years beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

BOARD ACCESS TO INFORMATION AND INDEPENDENT ADVICE

All directors have unrestricted access to employees of the group and, subject to the law, access to all company records and information held by group employees and external advisors. Each director may obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. In such cases, the chairman and company secretary must be advised and a copy of the advice made available to all directors.

CONFLICTS OF INTEREST

Directors are required to notify the Board of any real or perceived conflicts of interest that may occur from time to time. The Board has adopted the use of formal standing notices in which they disclose any material personal interests they have and the relationship with the affairs of the company. Directors are required to provide an updated notice if they acquire any new material personal interests or if there is any change to the nature and extent of their previously disclosed interest.

corporate government statement

PERFORMANCE EVALUATION

To date a formal assessment of board performance has not taken place. Due to the significant Board structural reforms planned it was decided that this evaluation should be delayed until the new structure was in place.

REWARD AND REMUNERATION

Reward and remuneration of directors and executives will be objectively linked to obtaining the company objectives and consistent with the financial performance of the company.

There will be transparency to shareholders regarding reward and remuneration of board members and senior executive management.

There are currently no schemes for retirement benefits other than statutory superannuation for non-executive directors.

COMMITTEES

Currently the Board of Coote Industrial has formed a separate Audit Committee to assist it in exercising its responsibilities. Given the size and stage of development of the company the Board has not formed a Nomination or Remuneration Committee which is a departure from ASX Best Practice Recommendation 2.4 and 8.2.

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting. The specific responsibilities set out in its charter include:

› in conjunction with the internal and external auditors, assure the integrity of financial statements;

› recommend to the board appointment of and review the performance of the external auditor;

› determine the remuneration of the external auditor;

› oversee the integrity of the internal and external audit process, and

› ensure there is a process to identify the likelihood and impact of financial risk and that this process is actively managed.

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are:

D Hector (Chairman)
P Wilson (resigned 08/01/2009)
G Parrett

Senior staff and any other persons considered appropriate, attend meetings of the Audit Committee by invitation. Details of the number of meetings held and attended by the members of the Audit Committee can be found in the Director's Report. The Board has established a Terms of Reference to guide the activities of the committee. The current composition of the audit committee does not meet ASX Best Practice Recommendation 4.3 however the Board believes that this is the most effective structure for the Audit Committee given the structure of the Board itself.

FINANCIAL REPORTING

Consistent with ASX Best Practice Recommendation 4.1, and in accordance with section 295A of the Corporations Act 2001, the company's financial report preparation and approval process for the year ended 30 June 2009, involved both the Chief Executive Officer and Chief Financial Officer providing a written statement to the Board that, in their opinion:

› the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and

› the company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

AUDIT GOVERNANCE AND INDEPENDENCE

EXTERNAL AUDITORS

Bentleys (formerly Rix Levy Fowler) are the company's current external auditors. The performance of the external auditor is reviewed annually by the Audit Committee. Bentleys were appointed as the external auditor in 2006. It is currently company's policy that no non-audit services are provided by the external auditor to ensure independence is maintained. It is Bentley's policy to rotate audit engagement partners on listed companies at least every five years.

INDEPENDENCE DECLARATION

The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 ("CLERP 9") amendments to the Corporations Act 2001 require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

Bentleys have provided such a declaration to the Audit Committee for the financial year ended 30 June 2009.

ATTENDANCE OF EXTERNAL AUDITORS AT ANNUAL GENERAL MEETINGS

In accordance with ASX Best Practice Recommendation 6.2 and Corporations Act 2001 the company requires that Bentleys attend the company's annual general meeting and are available to answer questions about the conduct of the audit and the preparation and content of the audit report. Shareholders are asked to submit written questions to the company secretary at least 5 days prior to the annual general meeting.

RISK IDENTIFICATION AND MANAGEMENT

Coote Industrial is in the process of implementing policies regarding risk identification and management which are consistent with ASX Principle 7.

SHARE TRADING POLICY

The company's Share Trading Policy aims to reinforce the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company and its related companies are prohibited from trading in the company's securities if they are in possession of "inside information". Directors must not deal in any Coote Industrial Ltd securities without notifying the board and receiving written approval from it to do so. The chairman must seek written approval from the Chief Executive Officer. Managers and other employees are also required to seek written approval of the Chief Executive Officer prior to trading in any shares in the company.

CONTINUOUS DISCLOSURE

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market. The company secretary has responsibility for overseeing and co-ordinating the disclosure. Any disclosures are discussed with the Board and appropriate action is taken.

COMMUNICATIONS WITH SHAREHOLDERS

The Board is committed to completely discharge its obligation to represent the interests of shareholders.

The Board will ensure that information is regularly communicated to shareholders, in particular, paying regard to the continuous disclosure requirements of the ASX. The Board welcomes shareholder participation at the company's annual general meeting. Shareholder are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of the annual and interim financial statements. Shareholders are encouraged to attend and participate in the Annual General Meeting, to lodge questions to be responded by the Board, and are able to appoint proxies.

income statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
Revenue	2	317,187	346,311	24,287	30,622
Other income	2	175	1,582	-	-
Changes in inventories of finished goods and work in progress		(2,945)	43,015	-	-
Raw materials and consumables used		(153,080)	(217,637)	-	(33)
Employee benefits expense		(85,715)	(82,071)	(5,451)	(4,870)
Depreciation and amortisation expense		(10,455)	(8,525)	(1,170)	(669)
Impairment		(1,060)	-	-	-
Finance costs		(14,779)	(8,943)	(9,674)	(7,246)
Subcontract Freight		(2,616)	(1,767)	(6)	-
Repair and maintenance		(6,353)	(6,006)	(14)	(8)
Insurance		(3,850)	(2,161)	(99)	(52)
Rent and Outgoings		(10,612)	(6,818)	(291)	(115)
Vehicle expenses		(1,908)	(1,791)	(25)	(32)
Fuel		(8,445)	(7,765)	(16)	(18)
Foreign Exchange Movements		(2,615)	-	-	-
Other expenses		(15,819)	(15,249)	(1,717)	(2,054)
Profit / (loss) before income tax	3	(2,890)	32,175	5,824	15,525
Income tax expenses	4	(1,651)	(10,163)	1,003	(393)
Profit / (loss) attributable to members of the parent entity		(4,541)	22,012	6,827	15,132
Overall Operations					
Basic earnings per share (cents per share)	8	(3.87)	21.68		
Diluted earnings per share (cents per share)	8	N/A	20.58		

balance sheet

AS AT 30 JUNE 2009

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	1,946	-	-	-
Trade and other receivables	10	150,020	130,994	863	2,728
Inventories	11	51,771	65,124	-	-
Other current assets	16	1,998	2,087	84	57
TOTAL CURRENT ASSETS		205,735	198,205	947	2,785
NON-CURRENT ASSETS					
Trade and other receivables	10	3,173	2,255	156,308	138,865
Inventories	11	17,608	7,200	-	-
Financial assets	13	127	5,004	59,577	63,984
Property, plant and equipment	14	46,324	34,672	2,279	2,319
Deferred tax assets	19	3,967	3,192	1,188	1,277
Intangible assets	15	102,748	93,515	-	-
TOTAL NON-CURRENT ASSSETS		173,947	145,838	219,352	206,445
TOTAL ASSETS		379,682	344,043	220,229	209,230
CURRENT LIABILITIES					
Trade and other payables	17	72,652	41,756	1,848	1,271
Financial liabilities	18	128,958	43,501	74,885	5,318
Current tax liabilities	19	9,290	10,117	9,190	10,108
Short-term provisions	20	9,961	4,286	500	444
TOTAL CURRENT LIABILITIES		220,861	99,660	86,423	17,141
NON-CURRENT LIABILITIES					
Financial liabilities	18	20,326	98,314	12,726	73,482
Long-term provisions	20	1,934	1,766	296	262
Deferred tax liabilities	19	1,930	288	4	47
TOTAL NON-CURRENT LIABILITIES		24,190	100,368	13,026	73,791
TOTAL LIABILITIES		245,051	200,028	99,449	90,932
NET ASSETS		134,631	144,015	120,850	118,298
EQUITY					
Issued capital	21	119,222	117,632	119,222	117,632
Reserves	22	697	1,329	896	828
Retained earnings/accumulated losses		14,712	25,054	732	(162)
TOTAL EQUITY		134,631	144,015	120,850	118,298

statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Group	Note	Issued Capital Ordinary $000	Retained Earnings $000	Foreign Currency Translation Reserve $000	Option Reserves $000	Total $000
BALANCE AT 1 JULY 2007		39,870	9,102	646	546	50,164
Shares issued during the year		79,198	-	-	-	79,198
Transaction costs		(1,436)	-	-	-	(1,436)
Prior year adjustment		-	445	-	-	445
Profit attributable to members of parent entity		-	22,012	-	-	22,012
Adjustments from translation of foreign controlled entities		-	-	(145)	-	(145)
Option reserve on recognition of options issued		-	-	-	282	282
Sub-total		117,632	31,559	501	828	150,520
Dividends paid or provided for	7	-	(6,505)	-	-	(6,505)
BALANCE AT 30 JUNE 2008		117,632	25,054	501	828	144,015
BALANCE AT 1 JULY 2008		117,632	25,054	501	828	144,015
Shares issued during the year		1,590	-	-	-	1,590
Transaction costs		-	-	-	-	-
Profit attributable to members of parent entity		-	(4,541)	-	-	(4,541)
Adjustments from translation of foreign controlled entities		-		(700)	-	(700)
Option reserve on recognition of options issued		-		-	68	68
Sub-total		119,222	20,513	(199)	896	140,432
Dividends paid or provided for	7	-	(5,801)	-	-	(5,801)
BALANCE AT 30 JUNE 2009		119,222	14,712	(199)	896	134,631

FOR THE YEAR ENDED 30 JUNE 2009

Parent Entity	Note	Issued Capital Ordinary $000	Retained Earnings $000	Option Reserves $000	Total $000
BALANCE AT 1 JULY 2007		39,870	47	546	40,463
Shares issued during the year		79,198	-	-	79,198
Transaction costs		(1,436)	-	-	(1,436)
Profit attributable to members of parent entity		-	15,132	-	15,132
Option reserve on recognition of options issued		-	-	282	282
Tax contribution account movement		-	(8,835)	-	(8,835)
Sub-total		117,632	6,344	828	124,804
Dividends paid or provided for	7		(6,506)	-	(6,506)
BALANCE AT 30 JUNE 2008		117,632	(162)	828	118,298
BALANCE AT 1 JULY 2008		117,632	(162)	828	118,298
Shares issued during the year		1,590	-	-	1,590
Transaction costs		-	-	-	-
Profit attributable to members of parent entity		-	6,827	-	6,827
Option reserve on recognition of options issued		-	-	68	68
Tax contribution account movement		-	(132)	-	(132)
Sub-total		119,222	6,533	896	126,651
Dividends paid or provided for	7	-	(5,801)	-	(5,801)
BALANCE AT 30 JUNE 2008		119,222	732	896	120,850

cash flow statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		311,886	287,523	1,908	1,565
Payments to suppliers and employees		(292,836)	(351,362)	(7,639)	(6,362)
Interest received		4,039	251	13,820	11,529
Finance costs		(11,280)	(6,801)	(8,933)	(6,349)
Income tax paid		(1,248)	(3,095)	-	-
Net cash provided by (used in) operating activities	25	10,561	(73,484)	(844)	383
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of non-current assets		1,663	329	2	60
Purchase of investments		-	(1,200)	-	-
Purchase of non-current assets		(12,945)	(19,174)	(2,201)	(1,782)
Loans to unrelated parties		-	(4,405)	-	(4,405)
Payment for subsidiary, net of cash acquired	25	(6,658)	(64,709)	-	(30,275)
Net cash provided by (used in) investing activities		(17,940)	(89,159)	(2,199)	(36,402)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,320	67,899	1,320	67,899
Proceeds from borrowings		3,647	91,288	-	59,000
Repayment of borrowings		(2,443)	(298)	-	-
Dividends paid by parent entity		(5,532)	(5,916)	(5,531)	(5,917)
Provision of funds to subsidiaries		-	-	-	(129,311)
Repayment of funds lent to subsidiaries		-	-	10,315	39,474
Net cash provided by (used in) financing activities		(3,008)	152,973	6,104	31,145
Net increase/ (decrease) in cash held		(10,387)	(9,670)	3,061	(4,874)
Cash at beginning of period	9	(11,715)	(2,045)	(4,422)	452
Cash at end of period	9	(22,102)	(11,715)	(1,361)	(4,422)

FOR THE YEAR ENDED 30 JUNE 2009

Note 1 — Statement of Significant Accounting Policies

The financial report covers the consolidated group of Coote Industrial Ltd and controlled entities, and Coote Industrial Ltd as an individual parent entity. Coote Industrial Ltd is a listed public company, incorporated and domiciled in Australia.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Coote Industrial Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(b) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

notes to the accounts

Note 1 — Statement of Significant Accounting Policies (cont)

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Coote Industrial Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.
The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 31 October 2007. The tax consolidated group intends to enter a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs.

The cost of raw materials includes all costs to transport the goods to a location ready for use including any duties and charges on items purchased overseas.

A review of inventory was completed at year end to identify items to be classed as non-current. Non current inventory is defined as inventory not expected to be utilised in the next financial year. The majority of items identified were long life locomotive spares which require refurbishment prior to use.

Note 1 — Statement of Significant Accounting Policies (cont)

(e) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completed basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract profits.

Work in progress is valued at cost. Cost includes both variable and fixed costs relating to specific projects, and those that are attributable to the project activity in general and that can be allocated on a reasonable basis.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their cost (being the consideration paid plus any additional direct costs), less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

notes to the accounts

Note 1 — Statement of Significant Accounting Policies (cont)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	40% - 67%
Plant and equipment	10% - 67%
Leased plant and equipment	30% - 67%
Buildings	2.50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the account for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortisation cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

Note 1 — Statement of Significant Accounting Policies (cont)

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d. less any reduction for impairment

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

notes to the accounts

Note 1 — Statement of Significant Accounting Policies (cont)

(i) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed at least annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Customer related intangibles

Customer related intangibles are stated at cost less accumulated amortisation and impairment losses - see policy (i).

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

Other identifiable intangibles

Other intangibles are stated at cost less accumulated amortisation and impairment losses - see policy (i). At balance date the amount in other identifiable intangibles can be attributed to the value applied to Rail Access on acquisition.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Note 1 — Statement of Significant Accounting Policies (cont)

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

– assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
– income and expenses are translated at average exchange rates for the period, and
– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The group has available equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Bi-nomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(m) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provision for Warranties

Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(o) Revenue and Other Income

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Note 1 — Statement of Significant Accounting Policies (cont)

Revenue from the sale of goods is recognised at the point of delivery or as contractually negotiated as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliabily. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue relating to construction activities is detailed in Note 1 (e).

Interest revenue is recognised as it accrues using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

(s) Critical Accounting Estimates and Judgments

Goodwill and intangibles

Significant judgments are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The group assesses impairment of intangibles at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates which can be found in Note 15.

Income tax

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office. Further details can be found in Notes 4 and 19.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using a binomial option-pricing model. The assumptions used in this model can be found in Note 26 Share based payments. These accounting estimates and assumptions would have no impact on the carrying amounts of assets and liabilities within the next reporting period by may impact expenses and equity.

Note 1 — Statement of Significant Accounting Policies (cont)

Impairment

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Provision for impairment of receivables and investments in subsidiaries

Included in the assets of the parent entity are amounts relating to inter-company receivables, loans and investments in wholly owned subsidiaries. As these strategic acquisitions are expected to make positive contributions to group profits in future years the directors believe that the full amounts of debts are recoverable from each of its subsidiaries and as such no provision for impairment has been made at 30 June 2009. Further details can be found in Note 28.

Environmental issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(t) New Accounting Standards and interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

Note 1 — Statement of Significant Accounting Policies (cont)

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The financial report was authorised for issue on 30 September 2008 by the board of directors.

Note 2 — Revenue

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
SALES REVENUE					
Sales of goods and services		308,549	343,440	35	1,423
TOTAL SALES REVENUE		308,549	343,440	35	1,423
OTHER REVENUE					
Dividends received	2a	-	-	10,000	17,290
Interest received	2b	6,506	631	14,252	11,909
Fuel rebates		2,132	2,240	-	-
Other revenue		-	-	-	-
TOTAL OTHER REVENUE		8,638	2,871	24,252	29,199
TOTAL SALES REVENUE AND OTHER REVENUE		317,187	346,311	24,287	30,622
OTHER INCOME					
Gain on disposal of property, plant and equipment		175	86	-	-
Gains on foreign exchange		-	1,496	-	-
TOTAL OTHER INCOME		175	1,582	-	-
(a) Dividend revenue from:					
Wholly-owned subsidiaries		-	-	10,000	17,290
TOTAL DIVIDEND REVENUE			-	10,000	17,290
(b) Interest revenue from:					
Wholly-owned controlled entities		-	-	14,215	11,448
Other persons		6,506	631	37	461
TOTAL INTEREST REVENUE		6,506	631	14,252	11,909

notes to the accounts

Note 3 — Profit for the Year

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
a. Expenses					
Cost of sales		241,047	262,301	-	-
Finance costs:					
– Interest - external		13,275	6,802	6,575	5,803
– Interest - related parties		-	-	1,883	546
– Other finance Costs		1,504	2,141	1,216	897
Total finance costs		14,779	8,943	9,674	7,246
Employee superannuation expense					
– Defined contribution plan		5,877	5,542	375	320
Total employee superannuation expense		5,877	5,542	375	320
Bad and doubtful debts:					
– Trade receivables		209	53	-	-
Total bad and doubtful debts		209	53	-	-
Rental expense on operating leases					
– Minimum lease payments		8,773	5,560	276	124
– Rental expense for sublease		-	-	-	-
Total rental expense on operating leases		8,773	5,560	276	124
b. Significant Revenue and Expenses					
The following significant revenue and expense items are relevant in explaining the financial performance:					
– Coote Locomotive Project revenues		17,550	82,713	-	-
– Coote Locomotive Project cost of goods sold (excludes Gemco Rail overheads, corporate overheads, interest and income tax allocations)		12,142	57,605	-	-
– Construction Contract - Accrued income		17,237	-	-	-
– Construction Contract - Accrued expenses		12,302	-	-	-
– Credit Note Greentrains Tranche 1 - Revenue		(17,200)	-	-	-
– Credit Note Greentrains Tranche 1 - Expenses		(14,648)	-	-	-

Note 4 — Income Tax Expense

		Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
a.	The components of tax expense comprise:					
	Current tax		1,963	10,060	(1,249)	304
	Deferred tax	19	(219)	103	(219)	89
	Relating to origination and reversal of temporary differences		(307)	-	218	-
	Under provision in respect of prior years		214	-	247	-
			1,651	10,163	(1,003)	393
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)					
	- consolidated group		(867)	9,668	-	-
	- parent entity		-	-	(1,253)	(19)
	Add:					
	Tax effect of:					
	- non-deductible depreciation and amortisation		-	-	-	-
	- other non-allowable items		1,167	495	3	412
	- controlled foreign entities not at prima facie tax rate		1,154	-	-	-
	- share options expensed during year		-	-	-	-
	- under provision for income tax in prior year		214	-	247	-
			1,668	10,163	(1,003)	393
	Less:					
	Tax effect of:					
	- rebateable fully franked dividends		-	-	-	-
	- changed estimate regarding inventory obsolescence write down		-	-	-	-
	- other non-allowable items		-	-	-	-
	- controlled foreign entities not at prima facie tax rate		17	-	-	-
	- Recoupment of prior year tax losses not previously brought to account		-	-	-	-
	- Income tax attributable to entity		1,651	10,163	(1,003)	393
	The applicable weighted average effective tax rates are as follows:		-57%	26%	24%	28%

The tax payable is due to the profit in Hedemora Sweden which is not available for offset against the consolidated tax entities loss.

Note 5 — Key Managment Personnel

(a) Directors

The following persons were directors of Coote Industrial Ltd during the financial year:

Name	Position
M Coote	Managing Director
D Patterson	Chief Executive Officer/Executive Director
P Wilson	Executive Director (resigned 8 January 2009)
G Parrett	Executive Director
D Hector	Non-executive Chairman

(b) Other Key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
K Pallas	Chief Operating Officer
M Darwish	Company Secretary/Chief Financial Officer
S Bassan	CEO - Gemco Rail
T Symons	CEO - South Spur Rail Services
A Marsh	CEO - Momentum
P Swann	CEO – Convair
P Crosswell	CEO – Industrial Powertrain

(c) Key management personnel compensation

Refer to the Remuneration Report contained in the Report of Directors for details of the remuneration paid or payable to each member of the Groups' key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2009 $000	**2008 $000**
Short-term employee benefits	3,407	2,958
Post-employment benefits	278	255
Other long-term benefits	-	-
Termination benefits	454	-
Total	4,139	3,213

Note 5 — Key Managment Personnel (cont.)

(d) Equity instrument disclosures relating to key management personnel

Options

The table below details the number of options currently on issue to key management personnel across the group. No additional share options were issued during this financial year.

2008	Balance 1 July 2007 $	Granted as Compensation $	Options Exercised $	Balance 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008	Total Unexercisable 30 June 2008
M Coote	-	-	-	-	-	-	-
D Patterson	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
P Wilson	250,000	-	-	250,000	250,000	250,000	-
G Parrett	250,000	-	-	250,000	250,000	250,000	-
D Hector	300,000	-	-	300,000	300,000	300,000	-
M Darwish	100,000	-	-	100,000	100,000	100,000	-
K Pallas	-	-	-	-	-	-	-
S Bassan	-	-	-	-	-	-	-
T Symons	-	-	-	-	-	-	-
A Marsh	-	-	-	-	-	-	-
P Swann	-	-	-	-	-	-	-
P Crosswell	-	-	-	-	-	-	-

2009	Balance 1 July 2008 $	Granted as Compensation $	Options Exercised $	Balance 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
M Coote	-	-	-	-	-	-	-
D Patterson	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
P Wilson	250,000	-	(250,000)	-	-	-	-
G Parrett	250,000	-	-	250,000	250,000	250,000	-
D Hector	300,000	-	-	300,000	300,000	300,000	-
M Darwish	100,000	-	-	100,000	100,000	100,000	-
K Pallas	-	-	-	-	-	-	-
S Bassan	-	-	-	-	-	-	-
T Symons	-	-	-	-	-	-	-
A Marsh	-	-	-	-	-	-	-
P Swann	-	-	-	-	-	-	-
P Crosswell	-	-	-	-	-	-	-

notes to the accounts

Note 5 — Key Managment Personnel (cont.)

(e) Shareholdings

Number of shares held by Key Management Personnel:

2009	Balance 1 July 2008 $	Received as compensation $	Options exercised $	Net change other* $	Balance 30 June 2009 $
M Coote	42,075,075	-	-	736,089	42,811,164
D Patterson	1,757,787	-	-	-	1,757,787
G Parrett	247,507	-	-	-	247,507
D Hector	51,368	-	-	4,282	55,650
M Darwish	13,500	-	-	-	13,500
K Pallas	50,000	-	-	-	50,000
S Bassan	-	-	-	13,500	13,500
T Symons	-	-	-	-	-
A Marsh	230,309	-	-	-	230,309
P Swann	33,520	-	-	20,000	53,520
P Crosswell	11,007	-	-	-	11,007

Net change other refers to shares purchased/sold independently during the financial year.

(f) Other Key Management Personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with Key Management Personnel, refer to Note 28: Related Party Transactions.

Note 6 — Auditor's Remuneration

	Consolidated Group		Parent Entity	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Remuneration of the auditor of the parent for:				
- auditing or reviewing the financial report	572	520	572	520
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	155	69	-	-

Note 7 — Dividends

		Consolidated Group		Parent Entity	
		2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
(a)	Distrbutions paid				
	Interim fully franked dividend of nil (2008: 3.5) cents per share franked at the tax rate of 30% (2008: 30%)	-	4,050	-	4,050
	Final fully franked ordinary dividend of nil (2008: 5.00) cents per share franked at the tax rate of 30% (2008: 30%)	5,801	2,455	5,801	2,455
	No final dividend has been declared				
		5,801	6,505	5,801	6,505
(b)	Balance of franking account at year end adjusted for franking credits arising from:				
	Opening balance	9,586	1,964	9,586	1,964
	Payment of provision for income tax	(918)	10,108	(918)	10,108
	Dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	-	(2,486)	-	(2,486)
	Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (b) as follows.	8,668	9,586	8, 668	9,586

notes to the accounts

Note 8 — Earnings per Share

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

Note 9 — Cash and Cash Equivalents

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CASH AT BANK AND IN HAND		1,946	-	-	-
		1,946	-	-	-
RECONCILIATION OF CASH					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		1,946	-	-	-
Bank overdrafts	18	(24,048)	(11,715)	(1,361)	(4,422)
		(22,102)	(11,715)	(1,361)	(4,422)

Note 10 — Trade and Other Receivables

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CURRENT					
Trade receivables		131,163	130,581	863	2,728
Provision for impairment of receivables	10b(i)	-	(222)	-	-
Total trade receivables		131,163	130,359	863	2,728
Other receivables		-	256	-	-
Accrued income		18,496	-	-	-
Fuel rebate receivables		361	379	-	-
Total other receivables		18,857	635	-	-
TOTAL CURRENT TRADE AND OTHER RECEIVABLES		150,020	130,994	863	2,728

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
NON-CURRENT					
Amounts receivable from:					
- Wholly-owned entities		-	-	154,053	136,610
- External parties		918	-	-	-
- Key management personnel	10a	2,255	2,255	2,255	2,255
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES		3,173	2,255	156,308	138,865

Note 10 — Trade and Other Receivables (cont.)

a. Key Management Personnel

	Balance at Beginning of Year $000	Interest Charged $000	Interest not Charged $000	Provison for Impairment $000	Balance at End of Year $000	Number of Individuals
2009	2,255	-	180	-	2,255	5
2008	-	-	67	-	2,255	5

Individuals with loans above $100,000 in reporting period:

	Balance at Beginning of Year $000	Interest Charged $000	Interest Not Charged $000	Provision for Impairment $000	Balance at End of Year $000	Highest Balance During Period $000
D Patterson	1743	-	140	-	1,743	1,743
G Parrett	206	-	16	-	206	206
K Pallas	102	-	8	-	102	102
J Hickey	102	-	8	-	102	102
A Butters	102	-	8	-	102	102

All amounts advanced to employees and directors are secured interest free limited recourse loans loaned for the purchase of shares in Coote Industrial issued under the company's share and option plan.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arms length basis.

b. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

2008	Opening Balance 1 Jul 07 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 08 $000
CONSOLIDATED GROUP				
(i) Current trade receivables	(150)	(125)	53	(222)
	(150)	(125)	53	(222)
PARENT ENTITY				
(i) Current trade receivables	-	-	-	-
(ii) Non-current wholly owned subsidiaries	-	-	-	-
	-	-	-	-

Note 10 — Trade and Other Receivables (cont.)

2009	Opening Balance 1 Jul 07 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 08 $000
CONSOLIDATED GROUP				
(i) Current trade recievables	(222)	-	111	(111)
	(222)	-	111	(111)
PARENT ENTITY	-	-	-	-
(i) Current trade receivables	-	-	-	-
(ii) Non-current wholly owned subsidaries	-	-	-	-
	-	-	-	-

Ageing of past due but not impaired

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
60 - 90 days	2,218	2,042	14	56
90 - 120 days	68,263	2,305	48	37
Total	70,481	4,347	62	93

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reportable date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. A large proportion of the amount in 90 – 120 days related to the Greentrains T1 transaction ($82.7m). This was subsequently settled after balance date. Further details can be found in note 29.

c. Material Trade and Other Receivables

A material trade receivable was owed to Gemco Rail by Greentrains Ltd at 30 June 2009 - as indicated above this was settled on 17 July 2009. Further details can be found on Note 29.

In addition to the amount noted above, an additional invoice of $17.55m and accrued income of $17.237m was raised on Greentrains for the purchase of a further twelve locomotives constituting the Tranche 2 sale. The invoice of $17.55m was delivered in June after the completion of the first 7 locomotives. Whilst funds for this sale had not been received by the completion of the audit the Board is confident the invoice will be paid in a shorter time-frame than the time taken to settle the Tranche 1 locomotive sale.

Note 11 — Inventories

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
CURRENT				
At cost:				
- Raw materials and stores	516	5,398	-	-
- Work in progress	19,973	34,148	-	-
- Finished goods	31,282	25,578	-	-
	51,771	65,124	-	-
NON CURRENT				
At cost:				
- Rolling-stock expenses	17,608	7,200	-	-
	17,608	7,200	-	-

Note 12 — Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned % 2009	2008
Parent Entity:				
Coote Industrial Ltd	Australia			
Drivetrain Power and Propulsion Pty Ltd	Australia	1 Jul 06	100	100
Hedemora Investments AB	Sweden	1 Jul 06	100	100
Hedemora Diesel AB	Sweden	1 Jul 06	100	100
P C Diesel Pty Ltd	Australia	1 Jul 06	100	100
Industrial Powertrain Pty Ltd	Australia	1 Jul 07	100	100
Drivetrain Australia Pty Ltd	Australia	1 Jul 06	100	100
Drivetrain Philippines Inc	Philippines	1 Jul 07	100	100
Drivetrain Singapore Pte Ltd	Singapore	1 Jul 07	100	100
Drivetrain Limited	New Zealand	1 Jul 07	100	100
Drinetrain US Inc	USA	31 Dec 08	100	0
Hyradix Inc	USA	31 Dec 08	100	0
Eden Cryogenics LLC	USA	31 Dec 08	100	0
Hedemora Pty Ltd	Australia	1 Jul 06	100	100
Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
Coote Logistics Pty Ltd	Australia	1 Jul 06	100	100
Asset Kinetics Pty Ltd	Australia	1 Jul 06	100	100
FCD Logistics Pty LTD atf Fremantle Container Depot (1996) Unit Trust	Australia	1 Jul 07	100	100
Coote Investments Pty Ltd	Australia	18 Apr 07	100	100
South Spur Rail Services Pty Ltd	Australia	30 Apr 07	100	100
Midland Railway Company Pty Ltd	Australia	30 Apr 07	100	100
Sydney Railway Company Pty Ltd	Australia	30 Apr 07	100	100
Australian Rail Mining Services Pty Ltd	Australia	30 Apr 07	100	100
Southern & Silverton Railway Pty Ltd	Australia	30 Apr 07	100	100
Momentum Rail (Vic) Pty Ltd	Australia	30 Apr 07	100	100
Total Momentum Pty Ltd	Australia	30 Apr 07	100	100
Centre for Excellence in Rail Training Pty Ltd	Australia	30 Apr 07	100	100
Gemco Rail Pty Ltd	Australia	1 Jul 07	100	100
Railway Bearings Refurbishment Services Pty Ltd	Australia	1 Jul 07	100	100
Gemco Leasing Pty Ltd	Australia	18 Jun 06	100	100

Note 13 — Financial Assets

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
NON CURRENT				
Available for sale:				
- Shares in listed companies	118	568	-	-
- Loans receivable	9	4,436	-	4,407
Total available-for-sale financial assets	127	5,004	-	4,407
Other investments				
- Shares in subsidiaries at cost	-	-	59,577	59,577
Total other investments	-	-	59,577	59,577
Total financial assets	127	5,004	59,577	63,984

Note 14 — Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
LAND AND BUILDINGS				
Freehold land:				
- At cost	53	53	-	-
Total land	53	53	-	-
Buildings:				
- At cost	739	735	-	-
- Less accumulated depreciation	(454)	(453)	-	-
Total buildings	285	282	-	-
TOTAL LAND AND BUILDINGS	338	335	-	-
PLANT AND EQUIPMENT				
Plant and equipment:				
- At cost	38,679	33,738	2,971	1,860
- Accumulated depreciation	(17,002)	(13,981)	(1,150)	(424)
Total plant and equipment	21,677	19,757	1,821	1,436
Leasehold improvements:				
- At cost	3,408	2,886	475	465
- Accumulated amortisation	(892)	(512)	(354)	(132)
Total leasehold improvements	2,516	2,374	121	333
Leased plant and equipment:				
- Capitalised leased assets	28,412	16,314	890	891
- Accumulated depreciation	(5,759)	(4,108)	(553)	(341)
- Accumulated impairment losses	(860)	-	-	-
Total leased plant and equipment	21,793	12,206	337	550
TOTAL PLANT AND EQUIPMENT	45,986	34,337	2,279	2,319
TOTAL PROPERTY, PLANT AND EQUIPMENT	46,324	34,672	2,279	2,319

Note 14 — Property, Plant and Equipment (cont'd)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Consolidated Group	Freehold Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
BALANCE AT 1 JULY 2007	53	301	747	12,343	21,630	35,074
Additions	-	-	844	5,248	7,639	13,731
Disposals	-	-	-	(4,711)	(14,817)	(19,528)
Additions through acquisition of entity	-	-	1,020	10,688	393	12,101
Revaluation increments/ (decrements)	-	-	-	-	-	-
Depreciation expense	-	(19)	(237)	(3,811)	(2,639)	(6,706)
Capitalised borrowing cost and depreciation	-	-	-	-	-	-
BALANCE AT 30 JUNE 2008	53	282	2,374	19,757	12,206	34,672
Additions	-	4	586	4,883	15,485	20,958
Disposals	-	-	(53)	(861)	(2,373)	(3,287)
Additions through acquisition of entity	-	-	-	2,392	-	2,392
Revaluation increments/ (decrements)	-	-	-	-	(860)	(860)
Depreciation expense	-	(1)	(391)	(4,494)	(2,665)	(7,551)
Capitalised borrowing costs and depreciation	-	-	-	-	-	-
BALANCE AT 30 JUNE 2009	53	285	2,516	21,677	21,793	46,324

Parent Entity	Freehold Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
BALANCE AT 1 JULY 2007	-	-	-	-	-	-
Additions	-	-	465	1,776	770	3,011
Disposals	-	-	-	-	(23)	(23)
Depreciation expense	-	-	(132)	(340)	(197)	(669)
Capitalised borrowing cost and depreciation	-	-	-	-	-	-
BALANCE AT 30 JUNE 2008	-	-	333	1,436	550	2,319
Additions	-	-	10	1,125	-	1,135
Disposals	-	-	-	(5)	-	(5)
Revaluation increments/ (decrements)	-	-	-	-	-	-
Depreciation expense	-	-	(222)	(735)	(213)	(1,170)
BALANCE AT 30 JUNE 2009	-	-	121	1,821	337	2,279

Note 15 — Intangible Assets (cont.)

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
GOODWILL				
Cost:				
Opening balance	80,841	34,812	-	-
Additional costs on previously acquired subsidiaries	-	(774)	-	-
Acquisition through subsidiaries acquired	5,684	46,803	-	-
Closing balance	86,525	80,841	-	-
ACCUMULATED IMPAIRMENT				
Opening balance	(436)	-	-	-
Impairment for the year	(1,370)	(436)	-	-
Closing balance	(1,806)	(436)	-	-
Net book value	84,719	80,405	-	-
CUSTOMER RELATED INTANGIBLES				
Cost:				
Opening balance	14,493	-	-	-
Additions:				
Acquisitions through subsidiaries acquired	1,121	14,493	-	-
Closing balance	15,614	14,493	-	-
ACCUMULATED AMORTISATION:				
Opening balance	(1,383)	-	-	-
Amortisation for the year	(1,534)	(1,383)	-	-
Closing balance	(2,917)	(1,383)	-	-
Net book value	12,697	13,110	-	-
PATENTS AND TRADEMARKS				
Cost:				
Opening balance	-	-	-	-
Acquisitions through subsidiaries acquired	1,227	-	-	-
Foreign exchange movement	-	-	-	-
Closing balance	1,227	-	-	-

Note 15 — Intangible Assets (cont.)

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
OTHER IDENTIFIABLE INTANGIBLES				
Cost:				
Opening balance	-	-	-	-
Additions:				
Acquisitions through subsidiaries acquired	4,105	-	-	-
Closing balance	4,105	-	-	-
TOTAL INTANGIBLE ASSETS				
At cost	107,471	95,334	-	-
Accumulated amortisation	(2,917)	(1,383)	-	-
Accumulated impairment	(1,806)	(436)		
Net book value	102,748	93,515	-	-

Intangible assets, other than goodwill, have finite useful lives. The current amortization charges for intangible assets are included under depreciation and amortization expense in the income statement. Goodwill has an infinite useful life.

Impairment tests for cash generating units containing goodwill

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

	Consolidated Group	
	2009 $000	2008 $000
GOODWILL		
Convair	2,720	2,720
Coote Investments	-	1,012
South Spur Logistics	18,044	29,044
Drivetrain	18,316	18,674
Gemco Rail	28,245	22,762
Industrial Powertrain	3,821	3,821
Momentum	13,573	2,372
TOTAL GOODWILL	84,719	80,405

Note 15 — Intangible Assets (cont.)

The recoverable amount of the cash generating unit is based on value in use calculations. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of 5 years using a growth factor relevant to the sector and business plan. Where management determines budgeted forecasts are significantly different from historical performance an adjustment is made to ensure consistency with historical results.

Terminal value for each CGU was calculated using the perpetuity method whereby cash flows after the forecast period were treated as an annuity and divided by the discount rate in order to determine the residual value. A pre-tax discount rate is applied adjusted for the risk of the industry in which each unit operates.

Key assumptions used for value in use calculations

A growth rate of between -5% and 0% has been applied to extrapolate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate.

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

The recoverable amount of each cash-generating unit exceeds the carrying amount of the gross assets of that unit.

Note 16 — Other Assets

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
CURRENT				
Other Current Assets	517	330	-	-
Prepayments	1,481	1,757	84	57
	1,998	2,087	84	57

Note 17 — Trade and Other Payables

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
CURRENT				
Unsecured liabilities				
Trade payables	50,776	23,169	1,304	457
ATO payables	16,991	8,313	529	320
Sundry payables and accrued expenses	4,885	10,116	15	814
Deferred Income	-	158	-	-
	72,652	41,756	1,848	1,591

notes to the accounts

Note 18 — Financial Liabilities

	Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CURRENT					
Secured liabilities:					
Bank overdrafts	9	24,048	11,715	1,361	4,422
Lease liability	23	5,788	6,786	522	896
Other loans		2	-	2	-
Bank loans		99,120	25,000	73,000	-
		128,958	43,501	74,885	5,318
NON-CURRENT					
Secured liabilities:					
Bank loans		6,628	81,594	-	73,000
Loans from subsidiaries		-	-	12,392	-
Lease liability	23	13,698	16,720	334	482
		20,326	98,314	12,726	73,482
(a) Total current and non-current secured liabilities:					
Bank overdraft		24,048	11,715	1,361	4,422
Bank loan		105,748	106,594	73,000	73,000
Other loans		2	-	2	-
Loans from subsidiaries		-	-	12,392	-
Lease liability		19,486	23,506	856	1,378
		149,284	141,815	87,611	78,800

Lease liabilities are secured by a charge over the leased asset

The bank loan facilities are made up of three facilities being:	**2009**	**2008**	**Maturity Dates**	**Interest Basis**
- Cash Advance Facility	73,000	73,000	Feb-10	Floating
- Equipment Loan	24,175	25,000	Jul-09	Fixed
- Swedish Loan Facility	8,573	8,594	Feb-12	Floating
	105,748	106,594		

These loan facilities were fully drawn down at 30 June 2009.

The equipment loan has subsequently been repaid on 17th July 2009 on settlement of the Greentrains debtor (see Note 29).

The Cash Advance Facility for the purpose of acquiring a number of entities during FY08 was an interest only facility. Following settlement of the Tranche 1 Greentrains debtor (see Note 29) it converted to a $1.5m amortizing quarterly in reduction loan. The Cash Advance Facility and Bank Overdraft are secured via a fixed and floating charge over the assets of the Australian entities.

The Swedish Loan facility is an amortizing facility over 5 years.

Additional information can be found in Note 30.

Note 19 — Tax

	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CURRENT				
Income Tax	9,290	10,117	9,190	10,108
Total	9,290	10,117	9,190	10,108

CONSOLIDATED GROUP	Opening Balance $000	Balance Acquired $000	Charged to Income $000	Charged directly to Equity $000	Changes in Tax Rate $000	Exchange Differences $000	Closing Balance $000
NON-CURRENT							
Deferred Tax Liability							
Other	273	111	(105)	-	-	9	288
Balance at 30 June 2008	273	111	(105)	-	-	9	288
Other	288	-	1,642	-	-	-	1,930
Balance at 30 June 2009	288	-	1,642	-	-	-	1,930
Deferred Tax Assets							
Provisions	766	378	447	-	-	-	1,591
Transaction costs on equity issue	297	-	-	457	-	-	754
Losses	1,092	-	(640)	-	-	18	470
Other	182	-	195	-	-	-	377
BALANCE AT 30 JUNE 2008	2,337	378	2	457	-	18	3,192
Provisions	1,591	-	705	-	-	-	2,296
Transaction costs on equity issue	754	-	-	(209)	-	-	545
Losses	470	-	216	-	-	-	686
Other	377	-	63	-	-	-	440
BALANCE AT 30 JUNE 2009	3,192	-	984	(209)	-	-	3,967

Note 19 — Tax (cont.)

PARENT ENTITY	Opening Balance $000	Balance Acquired $000	Charged to Income $000	Charged directly to Equity $000	Changes in Tax Rate $000	Exchange Differences $000	Closing Balance $000
NON-CURRENT							
Deferred Tax Liability							
Other	47	-	-	-	-	-	47
BALANCE AT 30 JUNE 2008	47	-	-	-	-	-	47
Other	47	-	(43)	-	-	-	4
BALANCE AT 30 JUNE 2009	47	-	(43)	-	-	-	4
Deferred Tax Assets							
Provisions	25	94	125	-	-	-	244
Transaction costs on equity issue	298	-	-	456	-	-	754
Losses	47	99	-	-	-	-	146
Other	169	-	(36)	-	-	-	133
BALANCE AT 30 JUNE 2008	539	193	89	456	-	-	1,277
Provisions	244	-	(7)	-	-	-	237
Transaction costs on equity issue	754	-	-	(209)	-	-	545
Losses	146	-	220	-	-	-	366
Other	133	-	(93)	-	-	-	40
BALANCE AT 30 JUNE 2009	1,277	-	120	(209)	-	-	1,188

Note 20 — Provisions

CONSOLIDATED GROUP	Warranties $000	Long Service Leave Employee Benefits $000	Annual Leave Employee Benefits $000	Other $000	Total $000
OPENING BALANCE AT 1 JULY 2008	74	1,766	3,990	222	6,052
Additional provisions	-	352	4,091	4,838	9,281
Amounts used	(74)	(309)	(3,311)	(217)	(3,911)
Additional provisions through acquisition of entity	-	125	348	-	473
BALANCE AT 30 JUNE 2009	-	1,934	5,118	4,843	11,895

PARENT ENTITY	Warranties $000	Long Service Leave Employee Benefits $000	Annual Leave Employee Benefits $000	Other $000	Total $000
OPENING BALANCE AT 1 JULY 2008	-	262	444	-	706
Additional provisions	-	46	293	-	339
Amounts used	-	(12)	(237)	-	(249)
Additional provisions through acquisition of entity	-	-	-	-	-
BALANCE AT 30 JUNE 2009	-	296	500	-	796

ANALYSIS OF TOTAL PROVISIONS	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
Current	9,961	4,286	500	444
Non-current	1,934	1,766	296	262
	11,895	6,052	796	706

Turbomeca Provision

A provision of $4.732m has been recognised for the balance of purchase price payable to the previous owner of Turbomeca. This is a performance based payment dependant on completing forward orders of approximately $7.43m at the time of settlement. At balance date a provision for the maximum balance payable has been provided on the expectation that the forward orders will be completed within the stipulated time-frames.

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Note 21 — Issued Capital

	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
123,075,146 (2008: 116,025,252) fully paid ordinary shares with no par value	119,222	117,632	119,222	117,632
	119,222	117,632	119,222	117,632
(a) Ordinary Shares	No.	No.	No.	No.
At the beginning of reporting period	116,025,252	81,600,539	116,025,252	81,600,539
Shares issued during year				
31/10/2008 (2008: 31/08/2007)	449,894	1,595,455	449,894	1,595,455
6/05/2009 (2008: 31/10/2007)	6,600,000	72,520	6,600,000	72,520
(2008: 31/08/2007)	-	2,000,000	-	2,000,000
(2008: 30/11/2007)	-	190,114	-	190,114
(2008: 30/11/2007)	-	29,166,667	-	29,166,667
(2008: 28/02/2008)	-	1,100,000	-	1,100,000
(2008: 31/03/2008)	-	299,957	-	299,957
At reporting date	123,075,146	116,025,252	123,075,146	116,025,252

Date	No.	Price	
31/10/2008	449,894	$0.60	Share issues in relation to Dividend Re-investment plan
6/05/2009	6,600,000	$0.20	Shares issued as part of capital raising to sophisticated investors

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

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

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

Note 21 — Issued Capital (cont.)

(b) Options

At 30 June 2009 7,150,000 (2008: 7,400,000) options were on issue. No options were exercised during this financial year. Further details of the options currently on issue can be found in Note 26 Share based payments.

(c) Capital Management

Management determines the requirements for capital within the group initially on an annual budget basis and then monitors on a monthly basis. At times the debt to equity ratio may be outside of the Board's preferred band of 40% - 60%.This was the case at year end influenced by the additional debt taken on to complete rebuild of a number of rollingstock assets. As noted on page 38 of the directors report under the heading `Looking Forward' a number of activities are underway to inject further working capital into the group including the sale of SSRS Logistics and settlement of the T2 sale to Greentrains.

The Board will also consider equity market options to increase working capital further after completion of the two planned options above. Further to this the Group intends to pursue the extension of its long-term debt facility due to expire in Feb 2010. Currently the facility has been treated as current in the accounts due to its expiry date being within the next 12 months. The Board will seek renewed facilities based on the remaining debt after taking into account all of the working capital options above are addressed.

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
Total Borrowings	149,284	141,815	87,611	78,800
Net Debt	147,338	141,815	87,611	78,800
Total Equity	134,631	144,015	110,850	127,133
Total Capital	281,969	285,830	198,461	205,933
Gearing Ratio	109%	98%	79%	62%

The board believes the current gearing ratio of 109% at 30 June 2009 is outside the current band of 40% - 60% that they would prefer to operate within given the current market environment.

The Board is actively pursuing debt reduction in FY09 and subsequent to reporting date (17 July 2009) reduced debt by $34.12m after the receipt of funds from Greentrains for the T1 locomotives sold. Further debt reduction is targeted in FY10 to bring the gearing ratio within the preferred band. Further details can be found in Note 30.

Note 22 — Reserves

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Option Reserve

The option reserve records items recognised as expenses on valuation of share options.

Note 23 — Capital and Leasing Commitments

		Note	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
(a)	Finance Lease Commitments					
	Payable — minimum lease payments					
	- not later than 12 months		7,187	7,900	562	966
	- between 12 months and 5 years		11,781	21,210	372	560
	- greater than 5 years		2,563	-	-	-
	Minimum lease payments		21,531	29,110	934	1,526
	Less future finance charges		(2,045)	(5,604)	(78)	(148)
	Present value of minimum lease payments	18	19,486	23,506	856	1,378
(b)	Finance Lease Commitments					
	Non-cancellable operating leases contracted for but not capitalised in the financial statements					
	Payable — minimum lease payments					
	- not later than 12 months		6,283	12,858	199	76
	- between 12 months and 5 years		16,702	45,198	513	177
	- greater than 5 years		4,768	894	-	-
			27,753	58,950	712	253

Note 24 — Segment Reporting

(a) Segment Reporting - Key Businesses	Drivetrain Power & Propulsion		Industrial Powertrain		Convair		South Spur Logistics		Momentum	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
REVENUE										
External Sales	94,312	73,434	8,626	7,569	15,983	22,048	68,839	58,563	28,629	38,150
Unallocated revenue										
Total revenue										
RESULT										
Segment result	3,281	7,688	1,530	2,761	893	1,794	300	4,570	1,946	5,199
Finance Costs										
Profit before income tax										
Income tax expense										
Profit after income tax										
ASSETS										
Segment assets	101,210	76,990	9,458	10,279	5,471	6,982	33,724	64,350	9,657	11,304
Unallocated assets										
Total assets										
LIABILITIES										
Segment liabilities		76,580	5,681	7,362	5,124	6,863	28,717	57,420	1,640	4,504
Unallocated liabilities										
Total liabilities										
OTHER										
Depreciation/impairment/amortisation of segment assets	3,794	2,089	209	177	122	111	2,228	3,422	498	184
Unallocated expenses net of unallocated revenue										

notes to the accounts

Note 24 — Segment Reporting (cont.)

	Gemco Rail		Coote Investments		Eliminations		Totals	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
REVENUE								
External Sales	120,457	147,290	2,830	2,776	(36,776)	(16,712)	302,900	333,118
Unallocated revenue							14,287	13,193
Total revenue							317,187	346,311
RESULT								
Segment result	17,341	27,231	(3,553)	(1,462)	(9,849)	(6,663)	11,889	41,118
Finance Costs							(14,779)	(8,943)
Profit before income tax							(2,890)	32,175
Income tax expense							(1,651)	(10,163)
Profit after income tax							(4,541)	22,012
ASSETS								
Segment assets	174,041	137,621	1,341	3,841	(24,243)	(41,863)	310,659	269,504
Unallocated assets							65,056	71,347
Total assets							375,715	340,851
LIABILITIES								
Segment liabilities	160,552	128,576	6,171	5,400	(13,666)	(32,411)	296,748	254,294
Unallocated liabilities							(53,627)	(54,554)
Total liabilities							243,121	199,740
OTHER								
Depreciation/impairment/amortisation of segment assets	1,219	771	1,325	147	950	955	10,345	7,856
Unallocated expenses net of unallocated revenue							1,170	669
							11,515	8,525

(b) Segment Reporting - Geographical Segments	Segmental Revenues from Sales to Customers		Segment Assets		Segment Liabilities	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
Australasia	297,876	335,689	331,787	325,502	207,799	192,036
USA	6,189	-	13,795	-	15,879	-
Sweden	13,121	10,623	30,133	15,349	19,443	7,704
	317,186	346,312	375,715	340,851	243,121	199,740

(c) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes. The Segments noted above have been revised from those used in FY08 to align with the internal restructure to focus on the Groups Key Businesses. This also aligns with the Groups internal reporting framework.

(d) Inter-segment Transfers

The prices charged on inter-segment transactions (revenues, expenses and results transfers), are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

(e) Business Segments

The consolidated group consists of the following business segments:

- Gemco Rail – Rolling-stock maintenance and manufacturing
- Drivetrain – Power and Propulsion
- Momentum – People – technical and contract services
- Convair – Pneumatic tanker design and manufacture
- Industrial Powertrain – Heavy equipment maintenance
- South Spur Logistics – Road, Rail, Port operations
- Coote Investments – Investment entity

Further information on the activities of each of these segments can be found throughout the annual report.

(f) Geographical Segments

The geographical segments comprise of Australiasia, Sweden and the USA. The consolidated group's business segments are principally located in Australia with Drivetrain also operating from Sweden, USA, Philippines, Singapore and New Zealand.

(g) Impairment

An impairment loss of $1.06m relating to plant and stock within the Drivetrain segment was recognised as an expense for the year ended 30 June 2009.

notes to the accounts

Note 25 — Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
PROFIT AFTER INCOME TAX	(4,541)	22,012	(3,173)	15,132
NON-CASH FLOWS IN PROFIT				
- Amortisation	3,962	1,819	-	-
- Depreciation	7,553	6,706	1,170	669
- Write-off of capitalised expenditure	-	-	-	-
- Net gain on disposal of property, plant and equipment	17	(85)	(2)	(7)
- Share options expensed	68	282	68	282
CHANGES IN ASSETS AND LIABILITIES Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
- (Increase)/decrease in trade and term receivables	2,846	(57,909)	1,876	217
- (Increase)/decrease in prepayments	276	(307)	(27)	246
- (Increase)/decrease in inventories	2,944	(57,415)	-	-
- Increase/(decrease) in trade payables and accruals	(13,463)	(1,450)	146	(15,558)
- Increase/(decrease) in income taxes payable	804	7,230	(437)	276
- Increase/(decrease) in deferred taxes payable	(402)	(162)	(566)	117
- Increase/(decrease) in provisions	10,497	5,795	101	(991)
CASH FLOW FROM OPERATIONS	10,561	(73,484)	(844)	383

Note 25 — Cash Flow Information (cont.)

(b) Acquisition of entities

(i) New RTS

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 over Rail Technical Support Group Pty Ltd. The operations of this entity were consolidated within Gemco Rail from the date of acquisition.

The goodwill on acquisition is as follows:

	$'000
Purchase consideration:	
Cash paid	925
Conversion of loan	2,020
Liability to Vendor	55
Other costs directly attributable to acquisition	138
Total purchase consideration	3,138

Assets and Liabilities held at acquisition date:

	Acquiree's Carrying Value $'000	Fair Value $'000
Cash	18	18
Receivables	1,290	1,290
Inventories / WIP	143	2,414
Property, plant and equipment	404	404
Identifiable intangibles – Rail Access	-	4,105
Other assets	10	10
Payables	(4,024)	(4,024)
Interest bearing liabilities	(5,210)	(5,210)
Empl oyee benefit liabilities including superannuation	(1,262)	(1,280)
Other liabilities	(72)	(72)
Sub-total	(8,703)	(2,345)
Goodwill on consideration		5,483

Note 25 — Cash Flow Information (cont.)

(ii) Turbomeca / HST

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

A component of the purchase price is based on completion of forward orders of $9.4m of which a gross margin consideration is to be paid. At balance date a provision for the maximum liability was included in the accounts as at this date it is expected that these sales orders will be completed.

The goodwill on acquisition is as follows:

	Consolidated $'000
Purchase consideration:	
Cash paid	3,577
Provision for performance based payment	5,365
Other costs directly attributable to acquisition	187
Total purchase consideration	9,129

Assets and Liabilities held at acquisition date:

	Acquiree's Carrying Value $'000	Fair Value $'000
Cash	-	-
Receivables	-	-
Inventories / WIP	7,353	7,353
Property, plant and equipment	549	549
Other assets	1,227	1,227
Payables	-	-
Interest bearing liabilities	-	-
Employee benefit liabilities including superannuation	-	-
Other liabilities	-	-
Sub-total	9,129	9,129
Goodwill on consideration		-

Note 25 — Cash Flow Information (cont.)

(iii) Eden Cryogenics and Hyradix (previously Eden Hydrogen)

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

The goodwill on acquisition is as follows:

A composite settlement was agreed as follows:

	Consolidated $'000
Purchase consideration:	
Cash paid	900
Purchase price payable (cash)	1,100
Other costs directly attributable to acquisition	1,412
Total purchase consideration	3,412

Assets and Liabilities held at acquisition date:

	Acquiree's Carrying Value $'000	Fair Value $'000
Cash	662	662
Receivables	2,302	2,302
Inventories / WIP	8,456	8,456
Property, plant and equipment	1,439	1,439
Other assets	99	99
Customer related intangibles		1,021
Payables	(8,595)	(8,595)
Interest bearing liabilities	-	-
Employee benefit liabilities including superannuation	-	-
Other liabilities	-	-
Sub-total	4,363	5,384
Gain on acquisition		(1,972)

Note 26 — Share Based Payments

The following share-based payment arrangements existed at 30 June 2009:

(a) On 14 December 2006, 2,900,000 share options were granted to the directors and company secretary to accept ordinary shares at an exercise price of $1.00. The options are exercisable after 14 September 2007 but before 14 December 2009. The options hold no voting or dividends rights and are not transferable. If a director ceases employment prior to exercising the options they are deemed to have lapsed. Since balance date no director has ceased employment. At balance date no share option has been exercised.

(b) On 14 December 2006, 1,500,000 share options were granted to Patersons Securities to accept ordinary shares at an exercise price of $1.00. The options are exercisable after 14 September 2007 but before 14 December 2009. The options hold no voting or dividends rights and are not transferable.

(c) On 29 February 2009, 3,000,000 share options were granted to Azure Capital to accept ordinary shares. The options were issued on the following basis:

Number	Exercise Price $	Exercise Date	Expiry Date
1,000,000	3.00	29/08/2009	29/02/2011
1,000,000	3.50	29/02/2009	29/08/2012
1,000,000	4.00	29/08/2009	29/02/2012

	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	7,400,000	2.01	4,400,000	1.00	7,400,000	2.01	4,400,000	1.00
Granted	-	-	3,000,000	3.50	-	-	3,000,000	3.50
Forfeited	(250,000)	1.00	-	-	(250,000)	1.00	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	7,150,000	2.01	7,400,000	2.01	7,150,000	2.01	7,400,000	2.01
Exercisable at year-end	6,150,000	-	-	-	6,150,000	-	-	-

There were no options exercised during the year ended 30 June 2008. The options issued to Peter Wilson lapsed on resignation.

No options were issued during the year ended 30 June 2009.

Note 27 — Contingent Liabilities

There were no contingent liabilities at balance date.

Note 28 — Related Party Transactions

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

(a) Lease agreements with related parties

Property Address	Tenant	Lessor	Term	Options		Current Rent p.a.	Completion Date
U1/15 Colin Jamieson Drive Welshpool WA	PC Diesel	Ganesha	Monthly	Nil	1/09/2005	$50,000	Monthly
627 - 635 Bickley Road Maddington WA	Various	OGB	5 years	5	1/07/2008	$550,000	30/06/2013
6 Sandhill Street Wedgefield WA	Asset Kinetics	OGB	5 years	5	1/07/2008	$150,000	31/12/2013

- Ganesha Nominees Pty Ltd acts as trustee for the Ganesha Family Trust. Michael Coote is both a director of Ganesha Nominees Pty Ltd and a beneficiary of the Ganesha Family Trust.

- Michael Coote currently acts as director for Orange Grove Brickworks Pty Ltd which acts as trustee for the Orange Grove Brickworks Family Trust. He does not hold any shares in Orange Grove Brickworks Pty Ltd and is not a beneficiary of the family trust.

(b) Other transactions

There were no other related party transactions.

(c) Transactions with subsidiaries

The following transactions occurred with related parties:

	Consolidated Group		Parent Entity	
Related Party Transaction	2009 $000	2008 $000	2009 $000	2008 $000
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	-	8,835
Dividend revenue				
Subsidiaries	-	-	-	17,290
Interest revenue				
Subsidiaries	-	-	14,215	11,448

Note 28 — Related Party Transactions (cont'd)

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Related Party Transaction	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
CURRENT RECEIVABLES				
Wholly-owned entities	-	-	602	2,540

(e) Loans to/from related parties

Related Party Transaction	Consolidated Group 2009 $000	Consolidated Group 2008 $000	Parent Entity 2009 $000	Parent Entity 2008 $000
LOANS TO SUBSIDIARIES				
Beginning of the year	-	-	136,610	29,204
Loans to subsidiaries	-	-	7,443	107,406
Loans from subsidiaries	-	-	(12,392)	-
End of year	-	-	131,661	136,610

The intercompany loans extended from Coote Industrial Ltd to its wholly-owned subsidiaries are extended on the following terms:

Term: Revolving Facility repayable when subsidiary is in a position to do so or as otherwise decided by the company.

Rate: Fixed rate reviewable quarterly.

Note 29 — Events Subsequent to Reporting Date

(a) Settlement of Greentrains Debtor

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

A composite settlement was agreed as follows:

	$000
Original rolling-stock fleet purchase price	82,713
Additional assets acquired in FY09	1,340
	84,053
Less: Rolling-stock retained by Gemco Rail	(17,200)
Receivable converted to equity, held by Coote Investments	(16,548)
Sale of rolling-stock assets	(1,210)
Cash payment from debt raised	(34,000)
Cash payment from equity raised	(15,095)
Balance remaining from this first tranche transaction	-

On settlement $34.12m was applied to debt reduction in Coote Industrial Ltd.

On conversion of funds owed to equity on settlement, Coote Investments (a 100% subsidiary of Coote Industrial Ltd), obtained a controlling interest (61.07%) in Greentrains Ltd. Greentrains Leasing Pty Ltd (previously Gemco Leasing Pty Ltd), a wholly owned subsidiary of Gemco Rail Pty Ltd, was sold to Greentrains on settlement of the T1 transaction.

As part of the settlement of the Greentrains transaction, Coote Industrial Ltd has agreed to provide a guarantee to the CBA for the debt ($34m)extended to Greentrains. This guarantee will stay in place until at least half of the debt extended by the CBA is sold down to another party.

(b) Issue of Convertible Notes/Loan from Elph Pty Ltd

As per the announcement to the Australian Securities Exchange dated 17 July 2009 Coote Industrial issued a $4m Convertible Note to Elph Pty Ltd.

Headline terms and conditions of the Convertible Note Deed are as follows:

- Two tranches. Issue of the first tranche of 10.871m convertible notes for $1.864m is not subject to shareholder approval. Issue of the second tranche of 12.458m convertible notes for $2.136m is subject to shareholder approval, with those funds advanced as a loan in the interim
- Face value of convertible notes: $0.1714612
- Rate of conversion: one ordinary share for one convertible note
- Coupon rate 8%
- Maturity 4 years after issue
- Convertible on or before the earliest redemption date, 12 months after issue

A general meeting of shareholders of Coote Industrial Ltd will be held on 21st October 2009 to consider the Board's recommendation to approve the company's issue of the second tranche of convertible notes.

Upon conversion of the first and second tranche convertible notes, Elph Pty Ltd would hold 25% of Coote Industrial Ltd's issued shares.

notes to the accounts

Note 30 — Financial Risk Management

(a) Financial Risk Management Policies

The group's financial instruments consist mainly of short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

		Consolidated Group		Parent Entity	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
FINANCIAL ASSETS					
Cash and Cash equivalents	9	1,946	-	-	-
Available-for-sale financial assets					
- Shares in listed companies at fair value	13	118	568	-	-
Other investments					
- Shares in subsidiaries at cost	13	-	-	59,577	59,577
Loans and Receivables	10,13	153,193	133,249	157,171	141,593
		155,257	133,817	216,748	201,170
FINANCIAL LIABILITIES					
Financial Liabilities at amortised cost					
- Trade and other payables	17	72,652	41,756	1,848	1,271
- Borrowings	18	149,284	141,815	87,611	78,800
		221,936	183,571	89,459	80,071

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i Treasury Risk Management

Management consisting of senior executives of the Group discusses and monitors financial risk exposure and evaluates treasury management strategies in the context of current economic conditions and forecasts.

Managements overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under the supervision of members of the board of directors. Risk management transactions are approved by senior management personnel. This includes the use of hedging derivative instruments and decisions in relation to sources of future funding.

ii Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

a. Interest Rate Risk

Exposure to interest rate risk arises on financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Currently the Groups' operations are financed using a mixture of fixed and floating debt. At 30 June 2009 approximately 29% of the Groups' debt was fixed. The group is not currently entered into any interest rate swaps to fix its floating rate debt.

The variable interest rate borrowings exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

		Consolidated Group		Parent Entity	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Floating Rate Instruments					
Bank Overdrafts	18	24,048	11,715	1,361	4,422
Cash Advance Facility	18	73,000	73,000	73,000	73,000
Swedish Loan Facilities	18	8,575	8,594	-	-
Total		105,623	93,309	74,361	77,422

b. Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety of sources
- managing credit risk related to financial assets
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The Group is also pursuing the extension of its long-term debt facility which is due to expire in Feb 2010. At this stage this facility has been treated as current due to its expiry within the next 12 months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Bank Overdrafts have been deducted in the analysis (with the exception of $10m which was repaid on 17 July 2009) as management does not consider that there is sufficient risk that the bank will terminate such facilities. The bank however maintains the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months. Whilst the Group intends to pursue the extension of its long-term debt facility due to expire in Feb 2010 the facility has been treated as current in this analysis and in the remainder of the accounts due to its expiry within the next 12 months and no firm details on an extension at this stage.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

As noted in Note 29, a $4m convertible note was issued to Elph Pty Ltd subsequent to balance date. The proceeds of the funds raised through the issue were used in part for additional working capital. Part of the convertible notes issued require shareholder approval, and until shareholder approval is granted, consideration for these notes has been provided in the form of a loan. Should shareholder approval not be granted the loan is required to be repaid.

Defaults and Breaches

At 30 June 2009 the group was outside of the leverage covenant, which needs to be in the range of 2.5 to 3.5 times Net Debt to EBITDA: a dividend lock applies until leverage is below 2.5 times net debt to EBITDA. At 30 June the actual leverage covenant was 5.26 reducing to 4.05 on 17 July 2009 from settlement of Greentrains Tranche 1 debtor payment. The leverage covenant is expected to continue to reduce in line with the amortisation program of debt facilities met from operational cash flows, with further significant reduction from settlement of the Tranche 2 Greentrains debtor and divestment of South Spur Logistics.

notes to the accounts

Note 30 — Financial Risk Management (cont'd)

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year 2009 $000	Within 1 Year 2008 $000	1 to 5 Years 2009 $000	1 to 5 Years 2008 $000	Over 5 Years 2009 $000	Over 5 Years 2008 $000	Total 2009 $000	Total 2008 $000
FINANCIAL LIABILLITIES DUE FOR PAYMENT								
Bank overdrafts and loans	109,122	25,000	6,628	81,594	14,048	11,715	129,798	118,309
Trade and other payables (excluding estimated annual leave)	72,652	41,756	-	-	-	-	72,652	41,756
Finance lease liabilities	5,788	6,786	13,698	16,720	-	-	19,486	23,506
Total Expected Outflows	187,562	73,542	20,326	98,314	14,048	11,715	221,936	171,856
FINANCIAL ASSETS - CASH FLOW REALISABLE								
Cash and cash equivalents	1,946	-	-	-	-	-	1,946	-
Trade, term and loans receivables	150,020	130,994	3,173	2,255	-	-	153,193	133,249
Investments available for sale	127	5,004	-	-	-	-	127	5,004
Total Anticipated Inflows	152,093	135,998	3,173	2,255	-	-	155,266	138,253
Net (Outflow)/Inflow on Financial Instruments	(35,469)	62,456	(17,153)	(96,059)	-	-	(52,622)	(33,603)

Parent Entity	Within 1 Year 2009 $000	Within 1 Year 2008 $000	1 to 5 Years 2009 $000	1 to 5 Years 2008 $000	Over 5 Years 2009 $000	Over 5 Years 2008 $000	Total 2009 $000	Total 2008 $000
FINANCIAL LIABILLITIES DUE FOR PAYMENT								
Bank overdrafts and loans	73,002	73,000	-	-	1,361	4,422	74,363	77,422
Trade and other payables (excluding estimated annual leave)	1,848	1,271	-	-	-	-	1,848	1,271
Amounts payable to related parties	-	-	-	-	12,392	-	12,392	-
Finance lease liabilities	522	896	334	482	-	-	856	1,378
Total Expected Outflows	75,372	75,167	334	482	13,753	4,422	88,098	80,071
FINANCIAL ASSETS - CASH FLOW REALISABLE								
Trade, term and loans receivables	863	2,728	156,308	138,865	-	-	157,171	141,593
Investments available for sale	-	-	-	4,407	-	-	-	4,407
Other investments - Shares in subsidiaries	-	-	-	-	59,577	59,577	59,577	59,577
Total Anticipated Inflows	863	2,728	156,308	143,272	59,577	59,577	216,748	205,577
Net (Outflow)/Inflow on Financial Instruments	(74,509)	(72,439)	155,974	142,790	47,185	59,577	128,650	129,928

Note 30 — Financial Risk Management (cont'd)

c. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The group currently does not hedge against the potential impact of this risk on its operations.

The majority of financial liabilities and assets of the Group are denominated in the functional currency of the operational location. These are primarily Australian Dollars and Swedish Krona.

d. Credit risk

Exposure to credit risk relating to financial assets arises from potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include monitoring of exposures, payment cycles and monitoring of the financial stability of significant customers and counter parties) ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms differ between each Key business but are generally 14 to 30 days.

Where the group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter party, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions)as presented in the balance sheet.

The Group has a significant concentration of credit risk with Greentrains at balance date. On a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operations in this region. Details with respect of the credit risk of Trade and Other Receivables can be found in Note 10.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10.

(b) Net Fair Values

i. Fair Value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

	2009		2008	
Consolidated Group	**Net Carrying Value $000**	**Net Fair Value $000**	**Net Carrying Value $000**	**Net Fair Value $000**
FINANCIAL ASSETS				
Cash and Cash Equivalents	1,946	1,946	-	-
Trade and Other Receivables	153,193	153,193	133,249	133,249
Available-for-sale financial assets at fair value	127	127	5,004	5,004
	155,266	155,266	138,253	138,253
FINANCIAL LIABILITIES				
Trade and Other Payables	72,652	72,652	41,756	41,756
Lease Liability	19,486	19,486	23,506	23,506
Bank Debt	129,796	129,796	106,594	106,594
	221,934	221,934	171,856	171,856

Note 30 — Financial Risk Management (cont'd)

Parent Entity	2009 Carrying Amount $000	2009 Net Fair Value $000	2008 Net Carrying Value $000	2008 Net Fair Value $000
FINANCIAL ASSETS				
Trade and Other Receivables	157,171	157,171	141,593	141,593
Available-for-sale financial assets at fair value	59,577	59,577	63,984	63,984
	216,748	216,748	205,577	205,577
FINANCIAL LIABILITIES				
Trade and Other Payables	1,848	1,848	1,271	1,271
Lease Liability	856	856	1,378	1,378
Bank Debt	73,000	73,000	73,000	73,000
	75,704	75,704	75,649	75,649

The fair values disclosed in the above table have been determined based on the following methodologies:

- Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument

- Loans and receivables have carrying values equivalent to fair value. The majority of these facilities have floating rates and those that are fixed are expected to be held to maturity and as such when discounted bear little resemblance to the carrying value.

- For listed available-for-sale financial assets, closing quoted bid prices at reporting date are used.

ii. Sensitivity Analysis

a. Interest Rate Risk and Foreign Currency Risk

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

b. Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
Consolidated Group	2009 $000	2008 $000	2009 $000	2008 $000
CHANGE IN PROFIT				
- Increase in interest rate by 100 basis points	(1,056)	(656)	(744)	(632)
- Decrease in interest rate by 100 basis points	1,056	656	744	632
CHANGE IN EQUITY				
- Increase in interest rate by 100 basis points	(1,056)	(656)	(744)	(632)
- Decrease in interest rate by 100 basis points	1,056	656	744	632

(c) Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Swedish Krona, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
CHANGE IN PROFIT				
- Improvement in AUD to SEK by 5%	86	108	-	-
- Decline in AUD to SEK by 5%	(86)	108	-	-
- Improvement in AUD to USD by 5%	(56)	-	-	-
- Decline in AUD to USD by 5%	56	-	-	-
CHANGE IN EQUITY				
- Improvement in AUD to SEK by 5%	419	(376)	-	-
- Decline in AUD to SEK by 5%	(419)	376	-	-
- Improvement in AUD to USD by 5%	(99)	-	-	-
- Decline in AUD to USD by 5%	99	-	-	-

The group does not hedge against foreign exchange movements against the net assets of its Swedish subsidiary.

shareholder information

Additional Information for Listed Companies at 24 September 2009

The following information is provided in accordance with the ASX Listing Rules.

1. Shareholding

(a) Distribution of Shareholders

Category (size of holding)	No. of shareholders	No. Ordinary Shares	%
1 – 1,000	113	68,954	6.18
1,001 – 5,000	550	1,808,020	31.58
5,001 – 10,000	385	3,129,579	20.34
10,001 – 100,000	673	21,382,981	36.85
100,001 – and over	93	96,685,612	5.06
	1,814	123,075,146	100.00

(b) The number of shareholdings held in less than marketable parcels is 161.

(c) The names of the substantial shareholders listed in the holding company's register as at 24 September 2009 are:

Shareholder	No. Ordinary Shares	%
Michael Charles Coote	42,811,164	34.78
Elph Pty Ltd	13,272,116	10.78

(d) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Shareholder Information (cont.)

(e) 20 Largest Shareholders – Ordinary Shares

Position	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Ganesha Nominees Pty Ltd	34,304,027	27.87
2	Elph Pty Ltd	11,982,116	9.74
3	Michael Charles Coote	7,100,000	5.77
4	Equity Trustees Ltd	4,161,288	3.38
5	ANZ Nominees Ltd	3,173,044	2.58
6	WJ Coote Pty Ltd	2,546,355	2.07
7	Sean Wilson	2,227,272	1.81
8	Gerda Pty Ltd	2,000,000	1.63
9	James Wilson	1,931,309	1.57
10	Orange Grove Brickworks	1,833,000	1.49
11	Citymont Pty Ltd	1,133,317	0.92
12	Marford Group Pty Ltd	1,125,000	0.91
13	Orange Grove Brickworks Pty Ltd	1,073,464	0.87
14	Ganesha Nominees Pty Ltd	1,067,890	0.87
15	WF Coote & Co Pty Ltd	1,023,029	0.83
16	BM & G William Martin	1,000,000	0.81
17	Skydawn Pty Ltd	957,787	0.78
18	John Wilson	909,091	0.74
19	Giovanni Nominees Pty Ltd	833,334	0.68
20	Stephen W Gooderson	800,000	0.65
		81,181,323	65.97

2. The name of the company secretary is Mustapha Darwish

3. The address of the principal registered office in Australia is:

Level 1, 10 Kings Park Road, West Perth WA 6005

4. Registers of securities are held at the following addresses:

770 Canning Highway, Applecross, WA 6153

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. Unquoted Securities

Options over Unissued Shares
A total of 7,150,000 options are on issue. 2,650,000 options are on issue to directors and employees. With the balance issued to the company's corporate advisors.

7. Other Disclosures

There were no restricted securities at this date.

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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