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Coote Industrial Limited (CXG) Announcement

Financial Results for year ended 30 June 2010

- *Operating loss of $5.7 million and one-off charges of $118.9 million generating a net loss of $124.6 million for FY2010.*
- *Significant one-off write-downs of asset values and impairment charges against intangible assets were major contributors to the disappointing result.*
- *Result impacted by severe capital constraints and difficult economic conditions.*
- *Key initiatives including a restructuring of the Board, adoption of better business practices, a recapitalised balance sheet and completion of a strategic review of the business are expected to provide for a significant turnaround in FY2011.*

Industrial services company Coote Industrial Limited ('Coote') today announced a net loss of $124.6 million for the year ended 30 June 2010. The loss included an operating loss of $5.7 million and one-off charges of $118.9 million.

The operating loss was impacted by a number of factors including difficult economic conditions and severe working capital constraints under which the Company operated for some time.

The Company has also written off a substantial amount of goodwill associated with prior years acquisitions and has also written down the value of its inventory, work in progress and fixed assets following a detailed review of the carrying value of these assets.

Summary Financials for year ended 30 June 2010	FY2010 $m	FY2009 $m
Revenue	227.7	317.4
EBITDA	(93.8)	7.6
EBIT	(107.5)	(2.9)
Net profit / (loss) after tax	(124.6)	(4.5)
NPAT after excluding one-off items	(5.7)	2.5
Net operating cash flow	50.4	10.6
Net assets*	53.6	134.6
Net debt	103.5	147.3

* Net assets increased by $42.6 million as a result of the capital raising concluded on 12 July 2010.

Previous guidance provided by the Company in its ASX release of 3 August 2010 of an expected loss of between $45 million and $55 million was subject to further write down of assets expected at completion of the audit.

One-off items included a $44.2 million impairment charge against intangible assets, a $10.6 million asset write-down by Greentrains and $12.0 million in deferred tax losses not recorded as an asset on the balance sheet. A loss of $16.2 million on the disposal of the South Spur Rail Services business and associated locomotive sales also contributed to the poor result.

Key Elements of the Result	FY2010 $m
Net operating loss	(5.7)
Impairment of intangibles	(44.2)
Impairment of property, plant and equipment	(25.5)
Write down of inventories / WIP and other one-off expenses	(19.3)
Loss on sale of South Spur Rail Services	(10.2)
Loss on sale of Gemco locomotives to POTA	(6.0)
Deferred tax losses not recorded as an asset	(12.0)
Other one-off expenses (including bid-related advisory and legal fees)	(1.7)
Total	(124.6)

The Chairman of Coote, Mr Dale Elphinstone commented "Whilst the result is disappointing, it is important to note that most of the loss was comprised of non-cash items. The operating cash flow of the business was more reasonable, and combined with the recently completed $42.6 million rights issue, capital constraints have been alleviated considerably and the business is better positioned for FY2011."

2010 Financial Year – Key Events

The following key events occurred during the past year:

- Two capital raisings - a placement combined with a share purchase plan which was completed in December 2009 raising $35.2 million and a non-renounceable rights issue announced in June 2010 (and completed in July 2010) raising $42.6 million;
- Refinancing of Coote's banking facilities - completed in early March 2010 resulting in Coote renewing its existing facilities with its bankers until 28 February 2011;
- Sale of loss-making subsidiary South Spur Rail Services Pty Ltd settled on 11 June 2010;
- Elphinstone Holdings Pty Ltd exercised its put option in Greentrains effectively returning its $6.5 million investment in the Greentrains business;
- A successful proportional takeover offer by Coote's largest shareholder, Elph Pty Ltd;
- Restructuring of the Board and senior management responsibilities. This included the resignations of Mr Mike Coote and Mr Don Patterson and the appointment of Mr Dale Elphinstone and Mr Vince De Santis to the Board, and will see the addition of at least one further independent non-executive director in the near future.
- Company borrowings have been significantly reduced with net debt of $100.7 million at 30 June 2010, compared with $147.3 million at 30 June 2009.

Update on Operations and Strategic Review

Following the restructure of the Board which was announced on 19 July 2010, a preliminary review of the Company's activities undertaken by the new Board has determined that remedial action is required to enhance both operational and financial performance.

Outcomes of the full review are expected to deliver a focused business strategy aimed at streamlining structure and integrating business processes, and are expected to deliver sustainable value to shareholders. The conclusions of the review are planned to be released to the market in October 2010.

Outlook

Whilst the Board is very dissatisfied with the FY2010 performance, and economic conditions remain challenging, the Directors consider that the underlying business of Coote is sound. Further, the Board believes that the recapitalisation of Coote combined with improved business processes will deliver a much stronger performance in FY2011.

Mr Dale Elphinstone said, "Despite this year's result and the requirement to make substantial asset write-downs and impairment charges, we remain confident of the future prospects of our key businesses and look forward to a much improved operating performance in FY2011 in terms of both revenue and profit. We would like to thank management and staff at Coote for their efforts in very difficult conditions. Their highly valued contribution is expected to lead to an improved outcome for all stakeholders in the future."

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