

28 February 2011

## GORGON PROJECT COMPLETION IMPACTS NOMAD HALF-YEAR RESULTS

Nomad Building Solutions Limited and its subsidiary entities (**Nomad** or the **Company**) have reported a net loss after tax of \$18.7 million for the half-year ended 31 December 2010 on revenue of \$101 million.

The financial result includes an underlying operating loss of \$3.3 million (\$2.3 million after tax), a goodwill impairment charge against the Rapley Wilkinson (**Rapley**) business and increased provisioning primarily for the Gorgon contract and other legacy contracts. Importantly, cashflow from operations was positive at \$0.2 million for the period.

In the prior corresponding half-year, Nomad reported a net loss after tax of \$5.2 million on revenue of \$93 million.

### Result Summary:

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Underlying operating loss before tax	(3.3)
Rapley goodwill impairment charge	(10.0)
Losses and provisions on Gorgon contract and other legacy contracts	(8.2)
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Loss from continuing operations	(21.5)
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Income tax benefit	3.4
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	(18.1)
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Net loss on RTS closure	(0.6)
Reported Net Loss	<u><u>(18.7)</u></u>

### Results Commentary

Nomad is a company in transformation. During the past 6 months, the management under Michael Bourke's leadership, has focussed on:

- stabilising the operations;
- delivering the Gorgon buildings on schedule;
- rationalising overheads and strengthening business processes to address the previously identified weaknesses in the Company's systems and management; and
- further work on Company turn-around projects.

Nomad also recently refreshed the composition of its Board with the appointment of two new Non-Executive Directors and strengthened its financial position by raising \$13.2 million in new equity, net of all issue costs, in November and December 2010.

Whilst the improvements to the Company's business processes and systems, and more recent senior management appointments to improve Company-wide project management and project delivery, are not reflected in the half-year results, they will provide a sound platform for a turn-around of the Company's financial performance.

### **Rapley Goodwill Impairment Charge**

In view of the recent performance by the Rapley division on some contracts, the Board has reviewed the carrying value of goodwill in accordance with Accounting Standards. Following this review, the Board has chosen to adopt a prudent approach in writing down the carrying value of goodwill associated with the Rapley business.

### **Gorgon Contract**

The main factor impacting on the half-year results (apart from the impairment of goodwill and excluding discontinued operations) were the losses associated with the completion of the Gorgon contract as well as provisions for contract disputes with the Thiess Decmil Kentz Joint Venture (TDKJV) totalling approximately \$8.2 million. The majority of the issues with this contract relate to significant and late design changes requested by TDKJV, the subsequent impact on procurement of key items and the impost on contract administration of the variation claims arising from the design changes.

### **RTS Closure**

The Residential Trust Systems (RTS) business operated in a very competitive environment and was unable to deliver the expected benefits. Given Nomad's focus on the re-building of its main businesses and improving Company profit margins, a decision was made to shut down the RTS business on the basis that it was unlikely to achieve acceptable profit margins or deliver company-wide cost savings justifying the required management input.

### **Balance Sheet**

Net borrowings reduced by \$14.3 million in the six months to \$3.7 million, giving a net debt to equity ratio of 7.4% at 31 December 2010. Total borrowings at 31 December 2010 were \$20.0 million. This represents a reduction of \$6.8 million compared with the position at 30 June 2010.

As a consequence of the reported losses, Nomad has breached the earnings and interest cover covenants within its banking facilities. The Company is currently in constructive discussions with its bank about revising the parameters under which Nomad's banking facilities will operate in the future. The bank is aware of the likely timeframe needed to complete the Company's turn-around and deliver improved financial performance.

### **Outlook**

Nomad operates in a sector that is forecast to benefit from a major sustained period of growth in remote and regional construction activity levels over the next few years. Despite the recent poor financial performance, the Company is focused on the turn-around. This work will continue through the second half of the 2010/2011 financial year and the Company expects to see the benefits from this reflected in the 2011/2012 financial year results.

Having successfully completed the Gorgon buildings, Nomad Modular is positioned as a manufacturer of more complex central facilities as well as traditional accommodation for projects in remote areas in both Western Australia and Queensland. Recent management changes have strengthened the design, manufacturing and project management capabilities of this business.

McGrath Homes continues to perform well in the high-end transportable market segment in Western Australia. Halley Homes provides a similar product range for the Queensland market. This division is currently evaluating a new product range to remain at the forefront of the industry.

Rapley now has new management and will be returning to its original (and previously successful) business model focusing on regional housing and commercial construction projects. Rapley provides in situ housing solutions and is well placed to capitalise on the growing demand for this type of housing in high-growth regional towns in Western Australia.

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Nomad is a leading provider of integrated manufacturing, construction and property development solutions, particularly in regional and remote areas of Australia. It specialises in modular, factory built buildings.