

31 August 2011

NOMAD TURN-AROUND GOING TO PLAN

Nomad Building Solutions Limited and its subsidiary entities (Nomad or the Company) have reported an underlying loss before tax of \$3.7 million for the full year ended 30 June 2011. Importantly, the loss narrowed substantially in the second half of the year (H1 loss \$3.3 million; H2 loss \$0.4 million) reflecting the benefits of the Company's turn-around plan.

The bottom line loss for the year was \$20.1 million on sales revenue of \$175.1 million. This loss was impacted by a \$10 million write-down in the carrying value of Rapley, a loss of \$0.8 million on the closure of RTS and provisioning for the Gorgon and other legacy contracts totalling \$8.2 million.

2010/11 Full Year Results Summary

| | 1 st Half \$m | 2 nd Half \$m | Full Year \$m |
|--|-----------------------------|-----------------------------|------------------|
| Revenue | 101.3 | 73.8 | 175.1 |
| EBITDA (from continuing operations and before goodwill impairment) | (7.1) | 2.4 | (4.7) |
| EBIT (from continuing operations and before goodwill impairment) | (10.3) | (0.7) | (11.0) |
| Underlying Operating Loss before Tax | (3.3) | (0.4) | (3.7) |
| Rapley Wilkinson Goodwill Impairment Charge | (10.0) | - | (10.0) |
| Losses & Provisions on Gorgon and Other Legacy Contracts | (8.2) | (1.2) | (9.4) |
| Loss from Continuing Operations | (21.5) | (1.6) | (23.1) |
| Income Tax Benefit | 3.4 | 0.4 | 3.8 |
| Net Loss on RTS Closure | (0.6) | (0.2) | (0.8) |
| Reported Net Loss | (18.7) | (1.4) | (20.1) |
| Cashflow from Operations | 0.2 | 8.8 | 9.0 |
| Net Debt / (Net Surplus) | 3.7 | (2.5) | (2.5) |
| Total Borrowings to Total Equity (%) | 40% | 30% | 30% |

Key benefits from the turn-around plan include:

- strong positive cashflow from operations of \$9 million for the year;
- a saving of \$6.0 million in overhead costs including \$4.3 million in corporate and administration expenses and \$1.7 million in employee benefits;
- rationalisation of office accommodation and leases together with the re-organisation of sites and work practices, which have already delivered savings of \$0.5 million and are expected to deliver further annualised savings of \$3 million over the new financial year;
- achieving 100% utilisation of the Company's rental fleet;
- total borrowings reduced by approximately 50% to \$14.6 million at 30 June 2011 compared with \$26.8 million at 30 June 2010 (including lease liabilities which have reduced to \$1.6 million from \$11.8 million);
- borrowing expenses reduced by approximately one third to \$2.1 million from \$3.0 million; and
- cash balance increase of nearly 50% to \$17.0 million from \$8.8 million

Financial Results Commentary

During the past 12 months, the Company under Michael Bourke's leadership, has continued with its transformation and has made good progress in:

- stabilising its operations;
- rationalising and reducing overheads in line with the right sizing of the business units;
- strengthening business processes (to address the previously identified weaknesses in the Company's systems and management);
- comprehensively revamping the senior management team and accountability;
- significantly improving Company-wide project management, estimating, scheduling and project delivery; and
- increasing the focus on profitable contracts with tendering discipline for margin and risk.

During the year Nomad also refreshed the composition of its Board with the appointment of two new Non-Executive Directors and strengthened its financial position by raising \$13.1 million in new equity (net of all issue costs) in November and December 2010.

The key issues adversely impacting on the Company's 2010/2011 financial results are as follows:

- In view of the performance by the Rapley division on some contracts, the Board chose to write-down the carrying value of goodwill associated with the Rapley business by \$10 million at the end of the first-half of the 2010/2011 financial year.
- Losses associated with the completion of the Gorgon contract together with provisions for other legacy contract disputes, amounting in total to approximately \$8.2 million. The majority of the issues on the Gorgon contract relate to significant and late design changes requested by the Thiess Decmil Kentz Joint Venture, the subsequent impact on procurement of key materials and the resulting negative effect on productivity and schedule. Nomad continues to pursue a commercial settlement of all outstanding issues.
- Given Nomad's focus on the re-building of the main business and improving the Company's profit margins, a decision was made to shut down the under performing Residential Truss System (RTS) business during the first-half, which contributed a net loss after tax of \$0.8 million for the full year.

Business Unit Update

McGrath Homes continues to be Company's best performing business unit. It is the leader in the high-end transportable market segment in Western Australia and has continued to benefit from having an experienced and stable management team, the right business model and a well defined high quality product. As a result it is also able to effectively compete with in-situ housing in terms of quality, design, price and finish.

Halley Homes provides a similar product range for the Queensland market and is well placed to grow its business as a result of the regional development requirements of coal mine expansions and new coal seam liquefied natural gas projects.

Rapley has a new management team, upgraded estimating systems and software and the internal expertise to utilise the upgraded systems. The business model has returned to the original (and previously successful) 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 housing in high-growth regional towns in Western Australia. Rapley's order book has recovered strongly in the past 3-to-4 months.

Nomad Modular's restructuring and turn-around remains a primary focus. The management team has been re-built along with its estimating, scheduling, design, project management capabilities and business support systems. The business model has also been refined to focus on a custom project delivery approach (due to the complex contracting environment) rather than the production line manufacturing approach employed in the past. In addition, the inadequacies of the ERP accounting system are being addressed through both software upgrades and the re-mapping of business processes. Implementation of the new system will be completed in the near-future. The management changes, improved business processes and lower operating cost base (significant labour and lease cost savings have been achieved) will enable Nomad Modular to more effectively and profitably supply both complex central facilities as well as traditional accommodation for major projects in remote areas in both Western Australia and Queensland.

Nomad also retains a significant **Rental Fleet** in Western Australia and Queensland with an asset base of \$13.3 million and generating revenue of approximately \$9 million per year. This business generates an attractive return on capital employed and further capital has been allocated to expand these activities in the coming year.

After investing considerable time and effort in recruiting new management and rebuilding the basic business processes within both the Rapley and Nomad Modular businesses, the Company is now able to concentrate its efforts on rebuilding the order book. Orders of approximately \$90 million are in place at present and importantly, the order book contains numerous higher margin smaller contracts which can be quickly completed and are more easily managed compared with large one-off contracts with onerous terms and conditions.

Outlook

In July 2011, the Company retired a further \$2.5 million of its banking facility with Westpac, comprising \$1 million reduction of debt and \$1.5 million reduction in lease facilities. In addition, Nomad also announced the renewal of its credit facilities with Westpac with formal documentation being signed on 30 August 2011. This together with the equity raising completed in late 2010, has secured the capital structure of Nomad and allows the Company to complete its turn-around plans and re-invest in the business.

The Company recently committed \$5 million to expand its rental fleet. Approximately \$1.5 million will be invested in Queensland and the balance in Western Australia. This investment is in response to the high demand for its rental fleet, which as previously indicated, is 100% utilised at present.

Nomad is actively pursuing opportunities for innovation and expansion of its manufacturing options. As part of this strategy, Nomad recently entered into an arrangement with Austal Limited to manufacture accommodation and staff amenity buildings at Austal's state-of-the-art manufacturing facility at the Australian Marine Complex in Henderson, Western Australia. This innovative arrangement provides the Company access to a skilled domestic work force and locally based modular manufacturing expertise as well as providing increased manufacturing capacity.

The Company is also pursuing options for housing development opportunities, based on its unique blend of businesses. Rapley is developing a hybrid product which includes a combination of in-situ and modular building components to support identified development opportunities in regional areas. This approach is consistent with the realignment of the Rapley business model.

Nomad operates in a sector that will continue to benefit from a major sustained period of growth in remote and regional construction activity levels over the next few years. The Company has made good progress with its turn-around program and the resulting improvement in performance provides a sound platform for the expected continued improvement in the Company's financial results in 2011/2012.

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