

22 November 2012

**Chairman's and Managing Director's Addresses to AGM**

The attached Chairman's and Managing Director's Addresses will be delivered to the Annual General Meeting of Nomad Building Solutions today.

**Contacts:**

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Chief Financial Officer  
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**About Us:**

McGrath Homes is a leading Western Australian based manufacturer of modular housing for the mining, commercial and residential sectors.

Rapley is an in-situ builder focused on remote and regional areas of Western Australia.

Nomad Modular (QLD) is a leading manufacturer of modular buildings for the mining, commercial and residential sectors

Nomad Rental provides modular buildings for hire to the mining and commercial sectors. It operates in QLD and WA.

**Chairman's Address**  
**Nomad Building Solutions Limited**  
**Annual General Meeting**  
**12.30pm Thursday, 22 November 2012**

**2012 Financial Year Overview**

Despite another challenging year the Company has made some significant achievements and changes throughout the year. The most significant of these include.

- A return to profitability in 2012, the first since the 2009 financial year.
- A further reduction in debt and strengthening of the balance sheet.
- The closure of the Nomad Modular Building, WA business (NMBWA)

Turning to these matters in more detail, the Company has reported a net profit after tax of \$3.2 million on sales of \$145 million. The profit was achieved as a result of positive EBIT contributions from Nomad Eastern States, the McGrath Homes business in WA and the Nomad Rental business across WA and Queensland. Rapley reported an EBIT loss for the 2012 financial year, and whilst this is disappointing the quantum of the loss was a significant improvement on the result for the 2011 financial year.

The Nomad Modular Building, WA business (NMBWA) reported a \$5.2 million EBIT loss for the 2012 financial year. The loss included an operating loss of \$6.8 million, \$1.2 million of costs associated with the wind down of the business, \$1.4 million cost provisions against back charges and variations on the TDK Gorgon project and the reversal of a \$4.2 million liquidated damages provision relating to the TDK Gorgon project. The decision by the Board to wind down NMBWA was announced to the market in June 2012 and was based on the poor operational and strategic management and losses of this business unit over an extended period and a strategic review by KPMG.

Debt repayments of \$7.7 million made during the 2012 financial year reduced the balance of borrowings to \$6.9 million at year end. This was further reduced by a \$3.2 million payment in September paid as part of the new credit facility agreement with Westpac Banking Corporation and a further \$0.6 million in November from rental asset sales. A further reduction of \$2.4 million, funded from additional asset sales, is also expected to be made at the end of this month. The balance of \$0.7 million will be paid by 30 April 2013 to reduce the borrowings to zero.

The rental assets of the Company have received considerable focus through the year and have been consolidated into a separate business unit under dedicated management. The new management team has sold a number of rental assets where the transaction provides a value proposition to both Nomad and the client.

This included the sale of accommodation facilities at Newmont Boddingtons gold operations for \$8.5 million in December 2011. In addition the Company has invested \$2.8 million in new rental assets, primarily for the Queensland market, during the 2012 financial year.

A number of changes to Management occurred during the year, notably the resignation of the Mr Michael Bourke in March 2012 and the appointment of the new Managing Director, Mr Peter Hogan in August 2012. Mr David Franklyn undertook the role of Acting Executive Director in the intervening months.

Other changes were made to corporate overheads during the year to achieve cost savings and to streamline some business development and risk management functions. In addition the General Manager of the Rapley business resigned in late September. An executive search is now under way to fill this position.

There have also been changes to the Board with the resignation of Mr David Craig on 31 July 2012 the appointment of Mr Peter Constable and Mr Michael Folwell both on the 23 August 2012 and the resignation of Mr David Cochrane on the 31 October 2012. The Board has also decided to further reduce the number of directors in line with the current requirements of the business and accordingly, Mr Michael Folwell decided not to put himself up for election at today's AGM. It should be noted that Mr Peter Constable was appointed as representative of Ryder Capital which has a relevant interest in 15% of Nomad.

The Board has not declared a dividend for the 2012 financial year and the dividend reinvestment plan remains suspended until further notice. It is the intention of the Board to return to a dividend payment when it is considered prudent to do so.

### **Outlook and the Year Ahead**

Notable additions to the order book in the first months of the 2013 financial year include for McGrath, the \$28.8 million project for 60 houses in Wickham for Rio Tinto and a \$4 million, 13 house project in Port Hedland for the Department of Housing, and for Nomad Eastern States a \$7.8 million project for camp accommodation for MacConnell Dowell. Rapley have commenced work on a \$5.5 million project in Derby for 11 houses and on a \$2.5 million project of 5 houses in Karratha.

The early months of the new financial year has also seen significant activity in the Rental business with a number of customers requesting to purchase hired assets. In the first four months of the new financial year this has resulted in \$3.1 million of proceeds from asset sales, including a \$2.4 million sale for 97 buildings to Auzcorp, expected to be concluded by the end of this month. In addition the

Company has manufactured \$1.5 million of new assets which are now complete and on hire in Queensland.

Specific areas of focus for the Company for the next twelve months under the stewardship of new Managing Director, Peter Hogan, are:

- Most importantly continued emphasis on improving strategy, systems and processes for identifying, winning and successfully delivering projects.
- Reduction in costs both at a contract level and an operating level in the Company
- Providing particular focus on the Rapley business to ensure an ongoing order book, consistent successful execution of projects and a return to profitability in FY13.
- Ensuring the future Company results are underpinned by stable and long term income streams from rental assets.
- With debt eliminated by 30 April 2013, the Company will continue to invest in new rental assets in the second half of FY13.

Some reduction and deferral of investments is being seen within the mining and resources sectors in regional areas of WA and Queensland. Despite this, the demand for in situ-housing and other accommodation products and rental assets is expected to continue (albeit at reduced levels from the last few years) at a level sufficient to sustain on-going revenue.

I would like to thank my fellow directors for their support and guidance of the Company's direction, and in particular to Mr David Franklyn for his contribution whilst serving as executive director from the departure of Michael Bourke to the commencement of Peter Hogan.

I now invite Peter Hogan to deliver his Managing Director's address.

Peter Abery  
Chairman

**Managing Director's Address**  
**Nomad Building Solutions Limited**  
**Annual General Meeting**  
**12.30pm Thursday 22<sup>nd</sup> November 2012.**

Thank you Mr. Chairman and thank you ladies and gentlemen for your attendance here this afternoon.

Today marks my first AGM with Nomad Building Solutions Ltd since commencing as Managing Director on 1<sup>st</sup> August 2012. In this short period I have worked hard at understanding our businesses, our business processes and systems, our people and values, our customers and the markets in which we operate. As you may expect, I have found many strengths and many areas which can be improved upon. Although not being engaged by Nomad throughout the Year ending 30<sup>th</sup> June 2012, it is indeed pleasing to see Nomad return to profitability whilst making some difficult decisions in difficult market conditions. However before looking at the financial performance over the year I would like to make comment on our progress in the key business sustainability area of occupational safety and health.

I have a fundamental belief that good businesses all have at least one thing in common – and that is an outstanding safety record. Good safety is simply good business and positive safety outcomes typify strong capable management with a commitment to building strong cultures that can increase the ability of the organization to sustain success. This is a core value for all of us at Nomad and we remain committed to continuing to improve our workplaces to reduce the risk of harm to our employees, contractors, customers and visitors. We also see excellence in OHS management as a long term source of competitive advantage, particularly in markets which are being driven by investment in natural resources.

As a group, I am delighted to report that NBS Ltd has achieved a Lost Time Injury Frequency Rate (LTIFR) for the reporting period of 1.3. We are not yet at where we want to be, however it is pleasing to see that the group has decreased its rate of LTI's by 85% over the last three (3) years. Similarly the rate of all workplace related injuries at Nomad sites has decreased by 52% over the same period.

To further reinforce our commitment to stakeholders in our businesses, Rapley and Nomad Eastern States have achieved external accreditation in ISO/AS 4801 OSH Management systems whilst our McGrath Homes business is scheduled for a preliminary audit in the third quarter of FY13. Our Rapley business has now also achieved Safety accreditation under the Office of the Federal Safety Commissioner which has been established to oversee safety in the construction industry. In order to undertake any federally funded construction projects, companies must have this accreditation.

I would now like to spend some time talking though the financial and operating performance of the company and its entities.

The Chairman has already provided you with an overview of the group's financial performance. In particular I note that in the 4<sup>th</sup> quarter the Board made the difficult

decision to close the Nomad Modular Business in WA, honour existing contractual commitments and to wind the business down. This decision was made against a backdrop of a number of years of financial losses and continued unsatisfactory performance. Despite's management's efforts to stabilize the business, these ultimately proved unsuccessful due to poor operational management, high staff turnover in a tight labour market and an inadequate manufacturing facility. The result of this closure is that NMBWA reported an EBIT loss of \$5.2M after taking account of contract wind down costs and appropriate provisioning. I would also like to clarify at this point the closure only relates to the WA business and today our Queensland business continues to operate, manufacturing high quality modular and transportable buildings for Nomad Eastern States clients and management of our Nomad Rental business.

Throughout FY12 our debt position has been improved – debt has been reduced from \$14.6M at the start of the year down to \$6.9M by the close. Subsequent to year end, further debt reduction has occurred with another \$3.2M paid down in the September quarter. To support our ongoing plan to reduce debt, a new credit facility agreement has been signed with Westpac.

NBS has been successful in streamlining and reducing corporate overheads by \$1.2M during the year. This has occurred through restructuring our corporate services team, and by rationalizing and reducing our administration locations in Perth.

We have also realigned the organizational structure by creating a separate business unit for Nomad Rental with dedicated management and greater visibility. This new division has been created by pooling the rental and camp assets previously held within other business units. It consists of rental assets in Western Australia, Queensland and the Village Camp in Karratha in North West WA.

## **Review of Operations**

### **McGrath Homes**

McGrath Homes is a leading Western Australia based manufacturer and installer of modular housing which services both the commercial and residential housing markets. It has a strong brand name and reputation in the non metropolitan markets of WA.

Revenue for the year declined by 8.7% to \$33.7M as a result of the number of house starts falling from 120 to 115, which was in turn largely as a result of delays in contract awards and weaker regional housing markets. Increased competition was evident with a subsequent impact on operating margins.

The major commercial projects completed during the year included the Ranges Project in Karratha (41 units) and the Kiama Project in Derby (10 houses). At McGrath we have continued to invest in new facilities and capacity with an additional concrete mould facility completed along with the construction of new housing product display centres at Wangara and Maddington in Perth.

In October we announced to the markets that McGrath Homes has been awarded a \$28.8M contract from Rio Tinto for the supply and installation of 60 modular houses

as part of the first stage of the Wickham Area Expansion Project (WAEP). We are delighted to have Rio Tinto as a major commercial client and we look forward to working with them for many years as they redevelop Wickham to support their infrastructure development and growth.

### **Rapley**

Rapley is a WA based in-situ building company. It has a long established reputation for delivering market leading designs for group housing and resort projects in the North West of Western Australia for the resources, government and commercial sectors. Rapley also has capability to engage in selected commercial building opportunities in regional centres in WA.

Whilst revenue declined by 41% to \$33.7M, EBIT losses were reduced during FY12 as Rapley refocused on a smaller number of group housing projects in the North West.

Looking forward, the key objective remains to expand the order book and to ensure that Rapley can successfully execute this work at targeted margins.

### **Nomad Eastern States (NES)**

Nomad Eastern States which we refer to as NES, operates from our facilities based in Wacol in Brisbane, Queensland. Following a period of site and business unit consolidation, the Wacol facility now manufactures and installs both modular homes (under the Halley Homes brand) and modular buildings for mine site accommodation including single persons quarters (SPQ's), kitchens, recreational buildings and other associated buildings. NES also manufactures buildings for our own rental business. Whilst NES reported a 3.6% YoY increase in revenue to \$29M, there has been a substantial increase in the underlying EBIT of the business. This strong result has been achieved by being responsive to clients needs and by being able to manufacture both modular houses and modular buildings from a single site in Wacol. This has allowed us to improve our productivity in labour terms and improve our asset utilization.

During the year, NES benefited from activity in the coal seam gas sector which has generated repeat business from our clients, reflecting our capability to deliver good quality product on time and within budget.

### **Nomad Rental**

Nomad Rental is a newly established business unit that has been created by pooling the rental and camp assets previously held within other business units. It consists of rental assets in Western Australia and Queensland along with the Karratha Village camp in Western Australia.

The Rental division reported a 71% increase in revenue to \$19M, with the growth largely driven by the sale of rental assets to Boddington Gold. The sale of rental assets from time to time forms a part of the life cycle of this business and the opportunities and timing for these sales vary depending on the client's individual circumstances. We will continue to invest in new rental fleet assets in the year ahead.

## **Outlook**

The recent and much publicized reduction in iron ore and coal prices has decreased sentiment resulting in the reduction and deferral of a number of investment projects in remote and regional areas of Western Australia and Queensland. However investment in the other metals and Oil & Gas sectors remains robust. Coupled with State Government housing projects (some of which is funded by the Royalties for Regions program) the outlook for Nomad remains encouraging as the level of demand for regional housing and accommodation projects, including rental opportunities, is expected to remain adequate to sustain a reasonable order book.

Tendering activity remains at satisfactory levels and we remain confident of more contract awards in the coming months. We continue to review and improve our internal processes to manage contract risk, improve margins and cash flow. Cost containment will remain a priority for management.

Finally, I would like to offer my thanks to all Nomad staff for their commitment and effort throughout 2012. Whilst I wasn't engaged in 2012, I know that my fellow Directors acknowledge the difficult decisions that have been made and the hard work achieved.

Thank You

Peter Hogan