

27 May 2009

Norfolk Group Limited: FY2009 Financial Results

KEY POINTS

- Total operating revenue of \$744.2 million ¹, steady year-on-year
- Normalised EBIT of \$28.9 million, within guidance range ¹
- Normalised NPAT from continuing operations of \$15.0 million ¹
- One-off impairment charge relating to legacy rail project of \$13.5 million
- Net Operating cash flow for the year of \$19.7m
- Approximately \$570 million of FY2010 revenue underpinned by contracts, work orders and ongoing service commitments

Norfolk Group Limited (ASX: NFK), a leading provider of integrated building and engineering services, today announced total operating revenue from continuing operations of \$744.2 million (FY2008: \$744.8), for the year ended 31 March 2009.

Normalised earnings before interest and taxation (EBIT) from continuing operations was \$28.9 million and the net profit after tax (NPAT) was \$15.0 million (11.5 cents earnings per share). The normalised EBIT result is within the guidance range (\$27.0 million - \$30.0 million) provided by the company in November 2008, with an EBIT margin for the year of 3.9 per cent. ¹

As previously announced, the company incurred a one-off impairment charge of \$13.5 million in relation to a receivable for the Southern Suburbs Rail (SSR) Project in Western Australia. Norfolk is continuing to pursue its rights in relation to the SSR Project. While the one-off charge impacts statutory EBIT for the 2009 financial year, it does not impact Norfolk's 2009 cash flow.

Norfolk Managing Director, Glenn Wallace, said the full year 2009 result is a solid performance given the challenging economic environment.

"The net impact to EBIT of the underperformance of our New Zealand operations during the year was \$5.0 million. However, the underlying performance of the Norfolk Group of companies, especially in Australia, remains solid in the context of tough economic conditions."

REVENUE (AU\$m)	FY2009		FY2008
by geography	Actual ¹	Change (%)	Pro Forma ¹
Australia	640.5	(0.4)	643.3
New Zealand	100.5	1.7	98.8
India	3.2	18.5	2.7
TOTAL	744.2	(0.1)	744.8

EBIT (AU\$m)	FY2009	FY2009	FY2008
by geography	Normalised ¹	Statutory	Pro Forma ¹
Australia	37.7	24.2	36.4
New Zealand	(0.8)	(0.8)	4.2
India	0.3	0.3	0.2
Corporate	(8.3)	(8.3)	(7.3)
TOTAL	28.9	15.4	33.5

EBIT Margin (%)	FY2009	FY2009	FY2008
by geography	Normalised ¹	Statutory	Pro Forma ¹
Australia	5.9%	3.8%	5.7%
New Zealand	(0.8)%	(0.8)%	4.2%
India	10.1%	10.1%	8.9%

¹ Excludes one-off impairment charge (SSR Project) and discontinued operations (Trafalgar)

Cash flow and balance sheet

Norfolk's net operating cash flow for the year was \$19.7 million. Net debt at 31 March 2009 was \$49.5 million. Norfolk operates within its banking covenants and debt facility limits.

On 7 May 2009, agreement was reached with Norfolk's bank financiers that the impairment of the SSR Project receivable would *not* be included in the calculation of the financial covenants that form part of Norfolk's bank facility agreement.

The agreement reached contains undertakings which are in the process of being formally documented. As this agreement was not reached prior to 31 March 2009, borrowings under the bank facility are shown as a *current* liability in the balance sheet.

While the company's existing bank facility is not due for renewal until July 2010, Norfolk took steps to proactively engage with its banks to refinance its bank facility. The banks are supportive and the company is currently negotiating a new three-year facility.

Dividend

As previously advised, the Board has concluded that Norfolk will not pay a final 2009 dividend. Instead, the funds will be retained by the company to pay down debt.

New Zealand business review and cost management program

Norfolk conducted a review of its Electrical and Mechanical operations in New Zealand and completed a restructure of those businesses. The focus of the review was on reducing overhead costs, and creating improved processes and systems to deliver greater cost efficiencies.

Increased efficiencies from the New Zealand review and further savings from a Group-wide cost management program will flow through during the 2010 financial year.

Discontinued operations

During the 2009 financial year, the company undertook a review of the Trafalgar fire business. The outcome of that review was a decision to restructure and ultimately divest Trafalgar's assets, which was completed post-31 March 2009. Norfolk recognised a \$1.7 million EBIT loss from Trafalgar for the year.

Southern Suburbs Rail (SSR) Project

As previously stated, the company incurred a one-off impairment charge for a receivable in relation to the Southern Suburbs Rail Project in Western Australia. The charge does not impact Norfolk's 2009 cash flow or the calculation of bank covenants.

The SSR Project was contracted in 2004, prior to Norfolk's formation and subsequent listing on the ASX in 2007. Current company policies and practices would not permit Norfolk to enter into a contract with such onerous conditions.

Corporate costs

Corporate costs reduced in the second half of 2009. Future corporate costs are expected to remain constant at approximately \$8.0 million per annum.

Outlook

The fundamentals of the Norfolk Group businesses are solid. While the economic outlook remains uncertain, with little sign of improving in financial year 2010, Norfolk Group continues to pursue opportunities that support the company's strategy:

- Stable sector focus: Norfolk has a strong focus on the more stable government and infrastructure sectors.
- Recurring service revenue: a key component of Norfolk's strategy has been to increase the percentage of its total revenue from recurring services.
- Technology leaders: Norfolk has developed expertise in niche sectors through the harnessing of technology.

The company will achieve returns through a continued focus on cost efficiencies, combined with specialisation, and the harnessing of technology to deliver market-leading solutions for customers.

At 31 March 2009, the company had approximately \$570 million of FY2010 revenue underpinned by contracts, work orders and ongoing service commitments (31 March 2008: \$550 million).

Norfolk Group Limited FY2009 Financial Results Briefing

A conference call to discuss the results will be held today (27 May) at 10.00am Australian Eastern Standard Time. The conference call details are:

Date	Wednesday, 27 May 2009
Time	10:00 am AEST
Dial in details	Local Access (if calling from a mobile): +61 2 8113 1400 Australia Toll Free Number: 1800 554 798 New Zealand Toll Free Number: 0800 450 585 Hong Kong Toll Free Number: 800 901 587
Confirmation code	7973935
(also known as Participant Passcode)	When you dial into the conference number, you will be asked by the operator to quote this confirmation code

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Norfolk Group Limited

Norfolk is a leading provider of integrated building and engineering services. In Australia, Norfolk is a market leader in the electrical engineering, contracting and services market and number one in non-residential HVAC (heating, ventilation and air conditioning) maintenance services market.

Norfolk employs more than 3,600 people, including highly skilled engineers, electricians, plumbers, air conditioning technicians and apprentices, across more than 150 sites throughout Australia, New Zealand, India and the United Arab Emirates. Norfolk has customers across a range of sectors including transport infrastructure, industrial, healthcare, commercial, resources, retail, government and communications.

For further information on Norfolk Group please visit www.norfolkgl.com