11 October 2017

**Chairman's Address**

The financial year ended 30 June 2017 resulted in an after tax profit of $9.066 million (2016: $8.049 million) up 12.63%. After adjusting for the resolution to the legal dispute settlement received in FY16 of $850,000, the net profit after tax is up 25.93% with the group remaining debt free.

**2017 Highlights**

- 8% increase in fully franked dividend to shareholders for FY17 to 27 cents (FY16: 25 cents).
- Increase of $21.814 million (22.19%) in construction revenue. There was small reduction in gross margin in FY17 caused by the following:
    - Further increase in sales and the policy of not capitalizing expenses prior to contract signing, consequently the initial expenses reduce the gross margin when sales are growing.
    - The increase in compliance costs caused by the aggressive regulatory enforcement of the QBCC .
    - The continued effort to improve maintenance processes and the reduced construction time.
- Increase of 33% in FY17 sales whilst reducing advertising spend by 35.6%.
- A reduction to 9.79% (FY16: 11.95%) in administration and operating costs as a % of total revenue.
- Strong recovery in approvals in last quarter of FY17 due to land supply recovering after Cyclone Debbie.
- Establishment of sales office in Newcastle and Gladstone, office fit out also commenced in Port Macquarie.
- Completion of Dixon NSW Pty Ltd buyback minority shareholders.
- Implementation of compliant Employee Share Scheme, to create a sense of ownership amongst our permanent staff.

**New Enterprise Software Efficiencies**

- Tamawood continues to integrate further modules of the Senterprisys enterprise software in FY17. It is anticipated the integration will be complete in FY18 which will create further operating efficiencies for the Group. These efficiencies are highlighted by the decrease in wages as a % of revenue to 5.68% (2016: 6.18%). Further efficiencies are expected as software is being continuously debugged and new modules are being added. Full benefit of the implementation expected to crystalize in FY19.

**QBCC Compliance Costs**

As highlighted in the Annual Report, the aggressive regulatory enforcement of the QBCC is continuing with three directions issued in the past three months and with one direction being issued in the prior 12 months and the results of these are:

- One has been withdrawn by QBCC.
- Three others are being contested in QCAT.

The entire industry in Queensland is at risk with the new proposed laws being progressively passed by the current State Government. Our quality assurance system and new software leaves us in a better position than most of our competitors, nevertheless, the Board is concerned that this will have adverse long term consequences for new home buyers in Queensland.

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**2018 Outlook**

- Unaudited profit before tax for the three months to September 30, 2017 is 20% above the same three months last year.
- The New Enterprise Software should be fully integrated into Tamawood during FY18 creating further operating efficiencies and positive growth in increasing the number of franchisees.
- Increase of NSW HOW license to $75 million to cater for the expansion in construction activity in Port Macquarie, Newcastle and Illawarra regions.

**Interim Dividend**

- Tamawood confirms the interim fully franked dividend of FY18 will be 11 cents.

RLynch.
Robert Lynch
Chairman