8 November 2018

Chairman's Address

Fully Franked Dividends Maintained

- Tamawood confirms the interim fully franked dividend of FY19 will be 11 cents and expects to maintain its fully franked final dividend of 16 cents, subject to no unforeseen events occurring in the second half of FY19. Tamawood may need to consider reinstating its Dividend Reinvestment Plan (DRP) for the final dividend.

The financial year ended 30 June 2018 resulted in an after tax profit of $8.692 million (2017: $9.066 million) down 4.12%.

2018 Highlights

- Significant delays experienced by customers receiving confirmation of bank approvals, as a consequence of the recent Banking Royal Commission, resulting in commencements of construction being delayed.
- Significant amount of inclement weather causing production delays over the June quarter.
- Margin erosion experienced in Sydney due to significant delays between signed contracts and land registration causing subcontractor and supplier price rises above the initially estimated.
- Issues by the Queensland Building and Construction Commission ("QBCC") has resulted in significant costs including legal fees defending the actions taken by the QBCC. Three out of four matters have now been withdrawn by the QBCC, however, this has still impacted the business with additional administration costs and significant amounts of management time in handling the process.
- All new regional office expenses including fit out, establishment and staff costs have been expended during FY18. There is a significant lag between set up costs and the recoupment of the costs from construction revenue.

SenterpriSys Software Update

- In July 2018,Tamawood has increased its holding in SenterpriSys Limited with the recent issue of 5,109,361 shares at 8.8 cents as determined by the SenterpriSys Board based on the independent valuation prepared by external accountants.
- We have been advised that SenterpriSys is currently looking to list the company on the National Stock Exchange of Australia (NSX). The proposed listing will be at 10 cents. This will result in our investment in SenterpriSys increasing on the balance sheet to $1.533 million.

2019 Outlook

Housing Market

The Housing Market is seeing a number of challenges mainly brought on by the banks tightening up on lending criteria and the slowing of approval processes, as a result of the Banking Royal Commission. The Reserve Bank along with Government intervention is making it harder for investors to enter the market, and this is also having a negative effect on sales. The biggest drop in sales has been in both Sydney and Melbourne markets, but there is evidence of an overall slowdown. This slowdown will have an effect on Tamawood sales in the short term.

Current sales in Tamawood are down 12% against corresponding period last year, we expect first half result to be down over 15%. However, in the medium to long term, Tamawood has always performed very well in difficult market conditions and we see this coming period no differently. Because of our price point and our value for money, compared to the rest of the market, we believe we will be better placed than anyone to increase our market share in a tightening market.

We have a number of advantages over our competitors. We have no debt and we have a healthy cash flow and operational software efficiencies. We are already seeing the effects of the downturn as a number of small to medium builders have been unable to continue operating due to cash flow problems and subsequently gone into liquidation.

The fact that we believe we have the lowest cost base in the industry and have the best value product means we find it much easier to meet bank valuations giving us the edge over other builders.

However, we must not be complacent and to this end we have initiated a number of actions listed below, to ensure we stay ahead of the game.

- Looking to appoint a new Non-executive Director with extensive experience in digital marketing and advertising.
- A complete review of all advertising mediums currently in place.
- A new advertising, social media strategy for FY19 and FY20.
- The employment of two qualified architects to improve the current design range and target niche market segments with new designs.
- The regional offices expansion program that started in FY17 is expected to become profitable in FY19. There is significant lag between opening an office and obtaining sales through to completion of construction and generation of profits.

RLynch.
Robert Lynch
Chairman