

16 June 2011

## **Revised Earnings Estimate – Financial Year Ending 30 June 2011**

On 14 April 2011 the Board announced that Tamawood Limited (“Company”) would earn approximately \$10M after-tax for the financial year ending 30 June 2011.

The Company’s current after-tax earnings estimate for the financial year ending 30 June 2011 is now \$7.0M. This estimate is impacted by the timing of settlements of ‘ready-to-occupy’ sale contracts. This is because only settlements or unconditional sale contracts entered into prior to 30 June 2011 can be brought to account in determining the 2011 financial year profit result.

The principal contributing factor to the earnings downgrade is a delay in the sale and settlement of completed house and land product under our “ready-to-occupy” housing program. The house and land product is targeted at “entry level” homebuyers in South East Queensland.

The primary reasons for lower than expected sales of “ready-to-occupy” homes are:

- Sluggish buyer demand brought about by rising home loan interest rates; and
- Delays in government pre-construction approvals in relation to our Yamanto “ready-to-occupy” housing construction project.

The recently announced \$10000 state government grant toward the cost of new homes is a positive initiative for the Queensland housing industry. This initiative will assist Tamawood to deliver affordable housing solutions to Queensland families seeking to build a new home and should result in a solid start to the 2012 financial year. However, the immediate impact of this announcement has been to delay some new home construction contracts until the 1 August commencement date.

The Board remains optimistic that many of these properties will be sold over the ensuing 6 months. Further, the Board anticipates that the profit on sale of such properties will be consistent with the profit margins expected at the time the \$10M after-tax profit estimate for the 2011 financial year was announced.

Notwithstanding the soft Queensland housing market, the Board is comfortable with the level of inventory of “ready-to-occupy” housing stock and looks forward to updating shareholders with progress on sales of “ready-to-occupy” product over coming months.

ENDS

Kerry Daly, Chairman

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