

TFS CORPORATION LTD
(ABN:97 092 200 854)

APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Current reporting period Period ended 31 December 2014

Previous corresponding period Period ended 31 December 2013

| | | | | ECONOMIC ENTITY | |
|--|------|---------|----|--------------------------|------------------|
| | | | | 31-Dec-14 | 31-Dec-13 |
| | | | | \$'000 | \$'000 |
| | | | | | |
| | | | | Percentage Change | |
| Revenue | | | | | |
| Revenue (Cash*) | | | | | |
| Revenue from establishment fees and land sales | Up | 121.6% | to | 24,990 | 11,275 |
| Revenue from recurring fees | Up | 82.5% | to | 10,483 | 5,745 |
| Revenue from product sales | Up | 66.7% | to | 11,162 | 6,697 |
| Interest revenue | Down | 23.2% | to | 1,573 | 2,048 |
| Other revenue | Up | 144.6% | to | 3,515 | 1,437 |
| Revenue (Non-Cash*) | | | | | |
| Revenue from recognition of deferred fees | Up | 96.5% | to | 19,039 | 9,691 |
| Gain on revaluation of biological asset | Up | 394.3% | to | 89,566 | 18,119 |
| Other revenue | Up | | to | 18 | - |
| Total revenue from ordinary activities | Up | 191.5% | to | 160,346 | 55,012 |
| EBITDA | | | | | |
| Cash EBITDA | Up | 173.9% | to | 6,657 | (9,003) |
| Non Cash EBITDA | Up | 235.4% | to | 85,900 | 25,614 |
| TOTAL EBITDA | Up | 457.2% | to | 92,557 | 16,611 |
| Net profit after tax | | | | | |
| Net profit after tax (Cash*) | Up | 63.4% | to | (5,373) | (14,689) |
| Net profit after tax (Non Cash*) | Up | 236.9% | to | 60,404 | 17,930 |
| Net profit from ordinary activities after tax | Up | 1598.0% | to | 55,031 | 3,241 |
| Plantation Product Sold | | | | | |
| Hectares of wholesale product sold | Up | | to | 399.0 | - |
| | Up | | to | 399.0 | - |
| Earnings Per Share | | | | 31-Dec-14 | 31-Dec-13 |
| | | | | (cents) | (cents) |
| Basic EPS (Based on net profit after tax) | Up | 1363.7% | to | 16.92 | 1.16 |
| Diluted EPS (Based on net profit after tax) | Up | 1150.7% | to | 14.46 | 1.16 |
| Net Tangible Assets per Share | | | | 31-Dec-14 | 30-Jun-14 |
| | | | | (cents) | (cents) |
| Net tangible asset backing per ordinary share | Up | 6.9% | to | 119.81 | 112.07 |

TFS CORPORATION LTD
(ABN:97 092 200 854)

APPENDIX 4D
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

No dividends are proposed for the half year ended 31 December 2014.

During the period there were no changes in the ownership interests in associated companies.

***Definition of Cash / Non Cash**

The Group's Cash EBITDA/NPAT is stated after eliminating the following from total Group EBITDA/NPAT:

- Gain / (loss) on revaluation of biological assets;
- Revenue from recognition of deferred lease and management fees; and
- Unrealised foreign exchange gain / (loss).

Commentary on Results

The consolidated net profit after tax of the Group for the six month period amounted to \$55.03m (2013: \$3.24m). This represents half year earnings of 16.92 cents per share (2013: 1.16 cents).

Total revenues and other income for the period of \$160.35m (2013: \$55.01m) included \$89.57m (2013: \$18.12m) relating to the gain recognised on the revaluation of the Group's wholly owned sandalwood tree plantations. This increase in the tree revaluation gain was attributable to a more favourable exchange rate, a higher oil price and a fair value gain due to a shorter period to harvest. At 31 December 2014 the Group directly owned 2,318ha of sandalwood plantations, up from 2,309ha at 30 June 2014.

Revenue also included \$58.03m from sales and services performed by the Group. Included within revenue is the sale of 399 hectares to a US institutional investor, which exercised two of its remaining three options over new sandalwood plantations. These plantations will be established in Q4 FY15. Establishment fee revenue is recognised in proportion to the establishment work performed at the balance sheet date.

The Group's sales of financial products tend to be weighted towards the second half of the Group's financial year. Therefore, as in prior years, the results of the first six months of the financial year tend not to be representative of the full year's results.

Full commentary on the results for the reporting period is contained in the ASX release dated 26 February 2015 accompanying this Report and additional Appendix 4D disclosures can be found in the Director's Report and the consolidated financial statements for the half-year ended 31 December 2014.

TFS CORPORATION LTD
AND CONTROLLED ENTITIES
A.B.N. 97 092 200 854

Half Year Financial Report
For the six months 31 December 2014

TFS CORPORATION LTD
(ABN: 97 092 200 854)
HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Directors' Report | 1-2 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 3 |
| Condensed Consolidated Statement of Financial Position | 4 |
| Condensed Consolidated Statement of Changes in Equity | 5 |
| Condensed Consolidated Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7-19 |
| Directors' Declaration | 20 |
| Auditor's Independence Declaration | 21 |
| Independent Auditor's Review Report | 22 |

TFS CORPORATION LTD
(ABN: 97 092 200 854)

DIRECTORS' REPORT

Your Directors present the financial report of the Group for the six months ended 31 December 2014.

DIRECTORS

The names of the Directors in office any time during or since the period end are:

Mr Dalton Gooding (Chairman) (Appointed 16 October 2014)
Mr Frank Wilson (Chief Executive Officer)
Mr Julius Matthys (Deputy Chairman)
Mr John Groppoli (Appointed 10 October 2014)
Ms Gillian Franklin (Appointed 1 December 2014)
Mr Michael Kay (Appointed 16 February 2015)
Mr Patrick O'Connor (Resigned 15 December 2014)
Mr Ronald Eacott (Resigned 28 November 2014)
Mr Stephen Atkinson (Resigned 2 September 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIVIDENDS PAID

A final ordinary dividend of 3 cents per share (100% franked) was paid on 10 November 2014 (declared on 13 October 2014) in respect of the financial year ended 30 June 2014 (total payment: \$9.76m).

No other ordinary dividend was declared and/or paid during the period.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the six month period were:

- promotion of sandalwood plantation investment to institutional offshore investors,
- promotion of sandalwood investment to high net worth investors,
- management and maintenance of sandalwood plantations,
- manufacture and distribution of Australian sandalwood oil and related products,
- manufacture of pharmaceutical grade Indian sandalwood oil for end customers, including Galderma,
- ownership, sale and leasing of land,
- ownership of sandalwood plantations,
- provision of finance, and
- promotion of sandalwood investment in managed investment schemes.

There have been no significant changes in the nature of those activities undertaken during the period.

REVIEW OF OPERATIONS

Operating results

The consolidated net profit after tax of the Group for the six month period amounted to \$55.03m (2013: \$3.24m). This represents half year earnings of 16.92 cents per share (2013: 1.16 cents).

Total revenues and other income for the period of \$160.35m (2013: \$55.01m) included \$89.57m (2013: \$18.12m) relating to the gain recognised on the revaluation of the Group's wholly owned sandalwood tree plantations. This increase in the tree revaluation gain was attributable to a more favourable exchange rate, a higher oil price and a fair value gain due to a shorter period to harvest. At 31 December 2014 the Group directly owned 2,318ha of sandalwood plantations, up from 2,309ha at 30 June 2014.

Revenue also included \$58.03m from sales and services performed by the Group. Included within revenue is the sale of 399 hectares to a US institutional investor, which exercised two of its remaining three options over new sandalwood plantations. These plantations will be established in Q4 FY15. Establishment fee revenue is recognised in proportion to the establishment work performed at the balance sheet date.

The Group's sales of financial products tend to be weighted towards the second half of the Group's financial year. Therefore, as in prior years, the results of the first six months of the financial year tend not to be representative of the full year's results.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

DIRECTORS' REPORT (Continued)

EVENTS AFTER THE REPORTING PERIOD

On 16 January 2015, a \$23.92m investment from a new institutional investor in the company's Beyond Carbon sandalwood plantation product was settled.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the half year ended 31 December 2014 has been received and can be found on page 21 of the report.

Signed in accordance with a resolution of the Board of Directors.



Dalton Gooding – Chairman of the Board

Dated this 25th day of February 2015.

TFS CORPORATION LTD

(ABN: 97 092 200 854)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | NOTE | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
|--|------|-----------------------------------|--------------------------|
| Revenue | 2 | 70,074 | 36,229 |
| Other income | 2 | 90,272 | 18,783 |
| Direct plantation and other operating expenses | | (13,743) | (13,977) |
| Raw materials and consumables used | | (6,484) | (4,080) |
| Cost of land sold | | (4,119) | (2,710) |
| Salaries and employees benefits expense | | (11,335) | (9,316) |
| Sales and marketing expenses | | (1,990) | (866) |
| Corporate and other administration expenses | | (6,881) | (4,764) |
| Depreciation and amortisation expenses | | (4,130) | (3,248) |
| Finance costs | | (10,836) | (9,511) |
| Unrealised foreign exchange gain / (loss) | | (23,636) | (2,226) |
| Share of net profits of associates | | 1,088 | 187 |
| Profit before income tax expense | | 78,280 | 4,501 |
| Income tax expense | | (23,249) | (1,260) |
| Profit for the period | | 55,031 | 3,241 |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i> | | | |
| Foreign currency translation differences for foreign operations | | 265 | (37) |
| Total comprehensive income for the period | | 55,296 | 3,204 |
| Earnings per share | | | |
| Basic earnings per share (cents per share) | 13 | 16.92 | 1.16 |
| Diluted earnings per share (cents per share) | 13 | 14.46 | 1.16 |

The accompanying notes form part of these financial statements

TFS CORPORATION LTD
(ABN: 97 092 200 854)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | NOTE | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|---|------|--------------------------|---------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 30,091 | 88,581 |
| Trade and other receivables | 3 | 89,374 | 80,526 |
| Inventories | 4 | 19,575 | 15,433 |
| Other financial assets | 5 | 2,437 | 3,239 |
| TOTAL CURRENT ASSETS | | 141,477 | 187,779 |
| NON CURRENT ASSETS | | | |
| Trade and other receivables | 3 | 34,697 | 47,100 |
| Other financial assets | 5 | 6,900 | 7,104 |
| Property, plant and equipment | 6 | 131,540 | 118,680 |
| Deferred tax assets | | 18,529 | 15,422 |
| Biological assets | 7 | 444,192 | 348,105 |
| Intangible assets and goodwill | 8 | 106,506 | 87,607 |
| Investments accounted for using equity method | | 9,339 | 7,934 |
| Other assets | 9 | 7,524 | 11,785 |
| TOTAL NON CURRENT ASSETS | | 759,227 | 643,737 |
| TOTAL ASSETS | | 900,704 | 831,516 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 42,224 | 63,449 |
| Financial liabilities | | 17 | 16 |
| Income tax payable | | 6,517 | 13,401 |
| Provisions | | 2,317 | 2,223 |
| Unearned income | | 16,959 | 23,215 |
| TOTAL CURRENT LIABILITIES | | 68,034 | 102,304 |
| NON CURRENT LIABILITIES | | | |
| Provisions | | 2,392 | 6,186 |
| Financial liabilities | 10 | 182,926 | 159,181 |
| Deferred tax liabilities | | 127,402 | 94,162 |
| Unearned income | | 3,165 | 3,356 |
| TOTAL NON CURRENT LIABILITIES | | 315,885 | 262,885 |
| TOTAL LIABILITIES | | 383,919 | 365,189 |
| NET ASSETS | | 516,785 | 466,327 |
| EQUITY | | | |
| Issued capital | 11 | 188,948 | 184,964 |
| Asset revaluation reserve | | 8,442 | 8,442 |
| Foreign currency translation reserve | | 241 | (24) |
| Option/Warrant reserve | | 10,019 | 9,083 |
| Retained earnings | | 309,135 | 263,862 |
| TOTAL EQUITY | | 516,785 | 466,327 |

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | Issued Capital \$'000 | Reserves \$'000 | Retained Earnings \$'000 | Total \$'000 |
|--|--------------------------------------|----------------------------|---|-------------------------|
| Balance at 1 July 2013 | 117,760 | 17,111 | 189,761 | 324,632 |
| Profit for the period | - | - | 3,241 | 3,241 |
| Other comprehensive income | - | (37) | - | (37) |
| Total comprehensive income for the period | - | (37) | 3,241 | 3,204 |
| Transaction with owners, in their capacity as owners, and other transfers | | | | |
| Shares issued during the period | 1,932 | - | - | 1,932 |
| Employee share options issued during the period | - | 46 | - | 46 |
| Dividends recognised for the period | - | - | (8,389) | (8,389) |
| Balance at 31 December 2013 | 119,692 | 17,120 | 184,613 | 321,425 |
| Balance at 1 July 2014 | | | | |
| | 184,964 | 17,501 | 263,862 | 466,327 |
| Profit for the period | - | - | 55,031 | 55,031 |
| Other comprehensive income | - | 265 | - | 265 |
| Total comprehensive income for the period | - | 265 | 55,031 | 55,296 |
| Transaction with owners, in their capacity as owners, and other transfers | | | | |
| Shares issued during the period | 3,984 | - | - | 3,984 |
| Employee share options exercised during the period | - | 936 | - | 936 |
| Dividends recognised for the period | - | - | (9,758) | (9,758) |
| Balance at 31 December 2014 | 188,948 | 18,702 | 309,135 | 516,785 |

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
|---|-----------------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipt from operations | 46,661 | 57,352 |
| Payments to suppliers and employees | (52,153) | (45,158) |
| Payments for land held for resale | (3,814) | (3,717) |
| Repayment of grower loans | 5,737 | 3,558 |
| Interest received | 1,573 | 2,048 |
| Finance charges | (9,250) | (9,428) |
| Income tax paid | - | (486) |
| Net cash (used in) / generated by operating activities | (11,246) | 4,169 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from the sale of property, plant and equipment | 69 | 104 |
| Payments for plant and equipment | (9,927) | (8,429) |
| Payments for investment in own plantation | (26,504) | (2,773) |
| Receipts from investments | 224 | 1,382 |
| Payments for investments | (318) | (187) |
| Receipts from MIS custodian accounts | 839 | 591 |
| Payments to MIS custodian accounts | (57) | (39) |
| Payments for land and buildings | (6,773) | (2,228) |
| Acquisition of subsidiary (net of cash acquired) | - | (143) |
| Net cash used in investing activities | (42,447) | (11,722) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of borrowings | (8) | (7) |
| Proceeds from employee share options exercised | 936 | - |
| Proceeds from issue of shares | 1,421 | - |
| Dividends paid | (7,146) | (6,375) |
| Net cash used in financing activities | (4,797) | (6,382) |
| Net decrease in cash held | (58,490) | (13,935) |
| Cash at the beginning of the period | 88,581 | 56,517 |
| Cash at the end of the period | 30,091 | 42,582 |

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers TFS Corporation Ltd and its controlled entities (hereafter referred to as “the Group”). TFS Corporation Ltd is a for-profit listed public company, incorporated and domiciled in Australia.

Basis of Preparation

These general purpose condensed financial statements for the interim six month reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting and the accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2014.

This interim financial report is intended to provide users with an update on the latest annual financial statements of TFS Corporation Ltd and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

The interim financial report has been prepared on an accruals basis and is based on historical costs, except for the Group’s sandalwood tree plantations (which are biological assets) and land. This report does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2014, except for the adoption of new standards and interpretations noted below:

• **AASB 2014-1 Part A – Amendments to Australian Accounting Standards - Annual Improvements 2010-2012 and 2011-2013 Cycle**

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- AASB 116 and AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.

Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.

AASB 2011-4. Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]. This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

- Application date of standard is 1 July 2013 with an application date for TFS being 1 January 2014.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 2012-3. Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities.

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

- Application date of standard is 1 July 2014 with an application date for TFS being 1 January 2014.

AASB 2013-3. Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

- Application date of standard is 1 July 2014 with an application date for TFS being 1 January 2014.

These amendments are effective for annual periods beginning on or after 1 July 2014. The adoption of these amendments had no material impact on the financial position or performance of the Group.

Changes in accounting policies, accounting standards and interpretations

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Seasonality of Business

The plantation management segment is a provider of plantation establishment and management services for Indian sandalwood plantations. Due to the seasonal nature of this segment, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period June to August are mainly attributed to the establishment of new plantations during the dry season in Northern Australia. This information is provided to allow for a proper appreciation of the results, however management have concluded that this is not "highly seasonal" as considered by AASB 134 Interim Financial Reporting.

The financial report was authorised for issue on 25 February 2015 by the Board of Directors.

| | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
|---|-----------------------------------|--------------------------|
| NOTE 2: REVENUE AND OTHER INCOME | | |
| <i>Sales revenue:</i> | | |
| Revenue from sales and services | 58,027 | 28,120 |
| Revenue from product sales | 11,162 | 6,697 |
| Revenue from farming operations | - | 12 |
| Interest on grower loans | 885 | 1,400 |
| Total sales revenue | <u>70,074</u> | <u>36,229</u> |
| <i>Other income:</i> | | |
| Interest received – Other persons / bank deposits | 689 | 648 |
| Profit on disposal of plant and equipment | 18 | 16 |
| Gain on revaluation of plantations | 89,565 | 18,119 |
| Total other income | <u>90,272</u> | <u>18,783</u> |
| Total revenue and other income | <u>160,346</u> | <u>55,012</u> |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 31 DEC 2014 \$'000 | 30 JUN 2014 \$'000 |
|--|-----------------------------------|--------------------------|
| NOTE 3: TRADE AND OTHER RECEIVABLES | | |
| Current | | |
| Trade debtors | 64,782 | 65,206 |
| Allowance for impairment - trade debtors | (167) | (316) |
| Loans to growers | 19,789 | 11,302 |
| Bonds and deposits | 25 | 22 |
| Prepayments | 4,945 | 4,312 |
| | <u>89,374</u> | <u>80,526</u> |
| Non Current | | |
| Loan to growers | 23,925 | 38,557 |
| Allowance for impairment – loan to growers | (172) | (47) |
| Other receivable ⁽ⁱ⁾ | 10,944 | 8,590 |
| | <u>34,697</u> | <u>47,100</u> |

(i) Included in Other non-current receivable is \$5.10m (30 June 2014: \$4.20m) relating to research and development funding to an associated company (Santalís Pharmaceutical Inc) to be recovered upon the successful commercialisation of Santalis' pharmaceutical products.

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|------------------------------|-----------------------------------|---------------------------|
| NOTE 4: INVENTORIES | | |
| Land held for resale | 7,413 | 7,718 |
| Finished goods | 8,646 | 5,896 |
| Work in progress | 11 | 14 |
| Seedlings at cost | 1,520 | 72 |
| Seed stock | 609 | 680 |
| Harvested trees | 5 | 5 |
| Raw materials | 1,479 | 1,113 |
| Provision for obsolete stock | (108) | (65) |
| | <u>19,575</u> | <u>15,433</u> |

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|--|-----------------------------------|---------------------------|
| NOTE 5: OTHER FINANCIAL ASSETS | | |
| Current | | |
| Cash deposit – MIS custodian accounts | 2,437 | 3,239 |
| Non Current | | |
| Cash deposit – MIS custodian accounts | 1,707 | 1,687 |
| Cash deposit – First loss account | 2,741 | 2,965 |
| Cash deposit – Bank guarantee facility | 2,452 | 2,452 |
| | <u>6,900</u> | <u>7,104</u> |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired assets with a cost of \$16.70m.

Assets (other than those classified as held for distribution) with a net book value of \$70k were disposed of by the Group during the six months ended 31 December 2014, resulting in neither a net gain or loss on disposal.

Fair value measurement of the Group's freehold land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2014 and 30 June 2014 were based on the Directors' assessment of the property's market value with reference to market appraisal obtained at the end of the 30 June 2012 financial year. The market appraisal was performed by Landnorth Consulting, a Licensed Real Estate Agent, with the appropriate qualifications and recent experience to fair value properties in the relevant locations.

The fair value of the freehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year

The Group's freehold land and buildings is categorised as Level 2 in the fair value hierarchy for \$73.70m. Information about the fair value hierarchy, is disclosed in Note 1 (aa) in the 30 June 2014 Annual Report.

NOTE 7: BIOLOGICAL ASSETS

Sandalwood plantation at cost:

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|--|-----------------------------------|---------------------------|
| Opening balance | 221,268 | 127,195 |
| Additions / Disposal | 9,857 | 87,573 |
| Plantation re-acquired | - | 6,909 |
| Less: Harvested trees transferred to inventory | - | (409) |
| | <u>231,125</u> | <u>221,268</u> |

Add: Fair value adjustment to sandalwood plantation:

| | | |
|--|----------------|----------------|
| Opening balance | 126,837 | 64,266 |
| Increments / Disposals | 86,230 | 63,301 |
| Less: Harvested trees transferred to inventory | - | (730) |
| | <u>213,067</u> | <u>126,837</u> |

Total biological assets

| | |
|----------------|----------------|
| <u>444,192</u> | <u>348,105</u> |
|----------------|----------------|

The Group's biological assets relate to sandalwood trees growing on plantations located across the northern parts of Australia. The fair value less cost to sell of the sandalwood trees has been determined in accordance with a Directors' valuation.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 7: BIOLOGICAL ASSETS (Continued)

(a) Measurement of fair values

(i) Fair value hierarchy

The fair value measurements for biological assets of \$444.19m, (June 2014: \$348.11m) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(ii) Level 3 fair values

The following information shows the valuation techniques used in measuring fair values, as well as the significant observable and unobservable inputs used.

Valuation technique

Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates until harvest. The expected net cash flows are discounted using a risk-adjusted discount rate.

Significant indirect observable inputs

(i) The price of sandalwood oil is determined by market prices, being \$2,800 USD/kg (June 2014: \$2,500 USD/kg) and not inflated.

Significant observable inputs

(i) US Dollar exchange rate used is constant through the valuation model at 1.219 AUD (June 2014: 1.061 AUD).

Significant unobservable inputs

(i) The trees will be harvested within 13 to 16 years of being planted. The weighted average year of harvest is 15.6 years (June 2014: 15.6 years).

(ii) Forecast of heartwood production at weighted average of 21.3kg (June 2014: 21.3kg) per sandalwood tree at a 25% moisture content. The forecast heartwood production of each plantation vintage ranges from 4.9kg to 25.6kg per sandalwood tree.

(iii) Projected oil content from the heartwood of 3.7% (June 2014: 3.7%) from forecast heartwood at a moisture content of 25%.

(iv) The costs consist of growing, harvesting, processing and marketing and sales cost, including:

- Harvesting and processing (oil extraction) costs, estimated at \$16,000 (June 2014: \$16,000) per hectare and \$207 (June 2014: \$207) per litre of oil; and
- Marketing and sales costs, estimated at 5% of proceeds.
- Harvesting and processing (oil extraction cost) are held constant in real terms with an annual inflation rate of 3.0% (June 2014: 3.0%).

(v) The pre-tax average real rate at which the net cash flows have been discounted range between:

- 14% (June 2014: 14%) for trees aged 0 to 5 years;
- 13% (June 2014: 13%) for trees aged 6 to 10 years; and
- 12% (June 2014: 12%) for trees aged 11 years to harvest age.

(vi) Cash flows exclude income taxes.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 7: BIOLOGICAL ASSETS (Continued)

(b) Financial Risk

The Group is exposed to the following risks relating to its sandalwood plantations.

(i) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of sandalwood. When possible, the Group intends to manage this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volumes and pricing.

(ii) Climate and other risks

The Group's sandalwood plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also insured against certain natural disasters such as fire and wind damage. The insured value of the plantation under the Group's existing insurance policy is less than the fair value of these plantations, but greater than the cost of re-establishing the plantation.

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

NOTE 8: INTANGIBLE ASSETS AND GOODWILL

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|--|-----------------------------------|---------------------------|
| Goodwill – at cost | 20,205 | 20,205 |
| Supply agreements – at cost | 478 | 478 |
| Accrued income receivable | | |
| Opening balance | 66,924 | 65,000 |
| Recognition of deferred fees | 14,873 | 17,091 |
| Deferred fees on trees acquired by the Group transferred to Biological Asset | - | (10,530) |
| Deferred fees realised upon harvest | (141) | - |
| Impairment recovery / (provision) | 4,167 | (4,637) |
| Closing balance | 85,823 | 66,924 |
| Total Intangibles | 106,506 | 87,607 |

NOTE 9: OTHER ASSETS

Non Current

| | | |
|----------------------------------|---------|---------|
| Water rights | 1 | 1 |
| Land preparation costs | 10,945 | 10,945 |
| Less: Provision for amortisation | (3,422) | (3,064) |
| | 7,523 | 7,881 |
| Lease land restoration costs | 5,781 | 5,781 |
| Less: Accumulated amortisation | (5,781) | (1,878) |
| | - | 3,903 |
| Total Other Assets | 7,524 | 11,785 |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|--|-----------------------------------|---------------------------|
| NOTE 10: FINANCIAL LIABILITIES | | |
| Non Current | | |
| Secured: | | |
| Hire purchase liability | 1 | 9 |
| 11% Senior secured note ⁽ⁱ⁾ | 182,925 | 159,172 |
| | <u>182,926</u> | <u>159,181</u> |

(i) In May 2011 US\$150 million was raised from international markets from the issuance of 11% Senior Secured Notes, with a maturity date of 15 July 2018. This liability has been converted to Australian dollars using an exchange rate of AUD1.219 (30 June 2014: AUD1.061).

| | | |
|--|----------------|----------------|
| NOTE 11: ISSUED CAPITAL | | |
| 326,983,445 fully paid ordinary shares (30 June 2014: 324,157,408) | <u>188,948</u> | <u>184,964</u> |

On 29 September 2014, options over 1,110,000 shares which had been issued in August 2011 were exercised at \$1.28 per share.

On 21 November 2014, 1,716,037 fully paid ordinary shares ranking equally in all respects with existing quoted ordinary shares were issued under the dividend reinvestment plan.

(a) Capital management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital included ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior financial year. The gearing ratios for the current period and past year end are as follows:

| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
|---------------------------------|-----------------------------------|---------------------------|
| Total borrowings | 182,943 | 159,197 |
| Less: Cash and cash equivalents | <u>(30,091)</u> | <u>(88,581)</u> |
| Net debt | 152,852 | 70,616 |
| Total equity | 516,785 | 466,327 |
| Total capital | <u>669,637</u> | <u>536,943</u> |
| Gearing ratio | 22.83% | 13.15% |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 12: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 12: SEGMENT INFORMATION (Continued)

The Group's operations involve the management and operation of forestry plantations, cultivation and sale of agriculture produce, the provision of finance, and the production and sale of sandalwood oil and related products. All material operations are conducted in Australia.

Primary reporting in business segments

| Operating segments | Plantation management | | Finance | | Sandalwood products | | Agriculture | | Group | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
| Revenue | | | | | | | | | | |
| Establishment fees and land sales | 24,990 | 11,275 | - | - | - | - | - | - | 24,990 | 11,275 |
| Lease and management fees | 10,483 | 5,744 | - | - | - | - | - | - | 10,483 | 5,744 |
| Product sales | - | - | - | - | 11,162 | 6,697 | - | - | 11,162 | 6,697 |
| Sales of agriculture produce | - | - | - | - | - | - | - | 12 | - | 12 |
| Interest – external | 643 | 586 | 930 | 1,462 | - | - | - | - | 1,573 | 2,048 |
| Other – external | 3,474 | 1,228 | 59 | 198 | - | - | - | - | 3,533 | 1,426 |
| Other – internal | 54 | - | - | - | 243 | 455 | - | - | 297 | 455 |
| | 39,644 | 18,833 | 989 | 1,660 | 11,405 | 7,152 | - | 12 | 52,038 | 27,657 |
| Accrued income recognition | 19,040 | 9,691 | - | - | - | - | - | - | 19,040 | 9,691 |
| Gain on revaluation of plantation | 89,565 | 18,119 | - | - | - | - | - | - | 89,565 | 18,119 |
| | 108,605 | 27,809 | - | - | - | - | - | - | 108,605 | 27,810 |
| Total segment revenue | 148,249 | 46,642 | 989 | 1,660 | 11,405 | 7,152 | - | 12 | 160,643 | 55,467 |
| Reconciliation of segment revenue to group revenue | | | | | | | | | | |
| Inter segment revenue | | | | | | | | | (297) | (455) |
| Total group revenue from ordinary activities | | | | | | | | | 160,346 | 55,012 |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 12: SEGMENT INFORMATION (Continued)

| Operating segments | Plantation management | | Finance | | Sandalwood products | | Agriculture | | Group | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
| Result | | | | | | | | | | |
| Earnings before interest, tax, depreciation and amortisation | | | | | | | | | | |
| (EBITDA) - Cash | 3,490 | (11,121) | 271 | 1,510 | 2,896 | 596 | - | 12 | 6,657 | (9,003) |
| (EBITDA) – Non-cash | 85,900 | 25,614 | - | - | - | - | - | - | 85,900 | 25,614 |
| Inter segment earnings | 54 | - | - | - | 243 | 455 | - | - | 297 | 455 |
| Total | 89,444 | 14,193 | 271 | 1,510 | 3,139 | 1,051 | - | 12 | 92,854 | 17,066 |

Reconciliation of segment EBITDA to group EBITDA

| | | | | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|--|---------------|---------------|
| Inter segment revenue | | | | | | | | | (297) | (455) |
| Total group EBITDA | | | | | | | | | 92,557 | 16,611 |

| | | | | | | | | | | |
|---|---------------|--------------|------------|--------------|--------------|------------|----------|-----------|---------------|--------------|
| Segment result before income tax | 74,364 | 2,593 | 306 | 1,567 | 2,820 | 598 | - | 12 | 77,490 | 4,769 |
|---|---------------|--------------|------------|--------------|--------------|------------|----------|-----------|---------------|--------------|

Reconciliation of segment result to group net profit before tax

| | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|---------------|--------------|
| Inter segment revenue | | | | | | | | | (297) | (455) |
| Amounts not included in segment results but reviewed by the Board | | | | | | | | | - | - |
| Share of net profits of associates | | | | | | | | | 1,087 | 187 |
| Net profit before tax from continued operations | | | | | | | | | 78,280 | 4,501 |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 12: SEGMENT INFORMATION (Continued)

| Operating segments | Plantation management | | Finance | | Sandalwood products | | Agriculture | | Group | |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 | 31 DEC 2014 \$'000 | 30 JUNE 2014 \$'000 |
| Segment Assets | | | | | | | | | | |
| Segment Assets | 856,416 | 799,662 | 46,610 | 53,560 | 43,522 | 33,773 | - | - | 946,548 | 886,995 |
| Segment increases for the period: | | | | | | | | | | |
| Capital expenditure | 13,070 | 12,229 | - | - | - | - | - | - | 13,070 | 12,229 |
| Acquisitions | 3,058 | 7,052 | - | - | 572 | 712 | - | - | 3,630 | 7,764 |
| | 16,128 | 19,281 | - | - | 572 | 712 | - | - | 16,700 | 19,993 |
| <i>Reconciliation of segment assets to group assets</i> | | | | | | | | | | |
| Inter segment receivables eliminated on consolidation | | | | | | | | | (45,844) | (55,479) |
| Total group assets from continuing operations | | | | | | | | | 900,704 | 831,516 |
| Segment Liabilities | | | | | | | | | | |
| Segment Liabilities | 373,416 | 363,737 | 31,981 | 39,272 | 15,281 | 8,575 | - | - | 420,678 | 411,584 |
| <i>Reconciliation of segment liabilities to group liabilities</i> | | | | | | | | | | |
| Inter segment payables eliminated on consolidation | | | | | | | | | (36,759) | (46,395) |
| Total group liabilities from continuing operations | | | | | | | | | 383,919 | 365,189 |

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

| | 31 DEC 2014 \$'000 | 31 DEC 2013 \$'000 |
|--|-----------------------------------|-----------------------------------|
| NOTE 13: EARNINGS PER SHARE | | |
| Earnings used in calculating basic and diluted earnings per share | 55,031 | 3,241 |
| Weighted average number of ordinary shares used as the denominator in calculating the: | | |
| - Basic earnings per share | 325,218 | 280,352 |
| - Diluted earnings per share | 380,608 | 280,352 |
| NOTE 14: DIVIDENDS | | |
| <i>Dividends paid</i> | | |
| Final fully franked dividend of 3 cents per share paid 10 November 2014 | 9,758 | 8,389 |

NOTE 15: SUBSEQUENT EVENTS

On 16 January 2015, a \$23.92m investment from a new institutional investor in the company's Beyond Carbon sandalwood plantation product was settled.

No other events have occurred since the end of the six month reporting period which have or may significantly affect the Group's operations, results of operations or state of affairs in future financial years.

NOTE 16: CONTINGENT LIABILITIES

A controlled entity has a replanting commitment in relation to sandalwood projects to ensure a tree mortality rate of no more than 25% at the end of the first year of the project. Possible associated costs associated with this replanting have not been provided for. These possible future costs are not considered to be material.

A controlled entity is managing a portfolio of MIS grower loans on behalf of the Commonwealth Bank of Australia (CBA) and under the agreement the entity has a legal liability to indemnify the CBA for any defaulting grower loans. This legal liability is limited to the amount of cash available in the First Loss Account (see Note 5). The portfolio of loans consists of existing loans sold to the CBA in 2008 and direct grower funding for the TFS2008 and TFS2009 projects. Once indemnified the Group takes the loan back onto its balance sheet with the established sandalwood trees acting as security over the receivable.

Included in the sales to high net worth investors during June 2014 are put options whereby the investor can elect to sell the trees back to the Group at the lower of market value or a predetermined price. These put options are to be exercised in September 2018, and if exercised the Group would be required to pay the consideration in November 2018 and November 2019. If all the options were exercised the Group would be required to acquire the plantations from the high net worth investors at the lower of a predetermined price (estimated at \$52.03m) or market value. The Group has deemed the likelihood of the put options being exercised to be low as the predetermined value is likely to be significantly below the fair value of the trees at the exercise date.

Included in the sales to an institutional investor during June 2014 is a put option whereby the investor can elect to sell the trees back to the Group at a predetermined price. This put option is to be exercised by 30 June 2016, and if exercised the Group would be required to pay the consideration by 30 September 2016. If the option is exercised the Group would be required to acquire the plantation from the institutional investor for US\$30.48m. The Group has deemed the likelihood of the put option being exercised to be low as the predetermined value is likely to be significantly below the fair value of the trees at the exercise date.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

NOTE 17: FINANCIAL INSTRUMENTS

The Group's financial instruments consist of trade and other receivables, other financial assets (made up of cash deposits), trade and other payables and financial liabilities. These financial instruments are measured at amortised cost, less any provision for non recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

NOTE 18: CAPITAL COMMITMENTS

At 31 December 2014, the Group had capital expenditure commitments of \$1.97m contracted for land and buildings for two properties, being one in the Northern Territory and one in Queensland.

NOTE 19: RELATED PARTY TRANSACTIONS

The following provides the total amount of transactions which have been entered into with related parties during the six months ended 31 December 2014.

Other Transactions with Director related entities:

Transactions with, and amounts receivable from and payable to, specified Directors or their personally related entities occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the Director or personally related entity at arm's length in the same circumstances.

FC Wilson was a principal of Wilson & Atkinson and continues to be a part owner in the business. This company provided legal services on commercial terms to the Group during the period to 31 December 2014 an amount of \$230,736 (30 June 2014: \$359,605) was charged to the Group. Frank Wilson neither directly nor indirectly received any financial benefit from these payments.

Other transactions with Directors as project subscribers (on terms no more favourable than other project subscribers).

- As disclosed in the 30 June 2014 Annual Report FC Wilson's new project subscription was financed by a loan from a Group controlled entity, Arwon Finance Pty Ltd, on normal commercial terms. The outstanding balance at 30 June 2014 was \$13,267,650, during the six months FC Wilson repaid \$1,206,150 leaving a balance of \$12,061,500 at 31 December 2014.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
DIRECTORS' DECLARATION

The Directors of the company declare that:-

1. The attached financial statements and notes, as set out on pages 3 to 19 are in accordance with the Corporations Act 2001, including:
 - (a) comply with AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and the performance for the six months ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Board of Directors:



Dalton Gooding – Chairman of the Board

Dated this 25th day of February 2015.

Auditor's Independence Declaration to the Directors of TFS Corporation Ltd

In relation to our review of the financial report of TFS Corporation Ltd for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



T G Dachs
Partner
25 February 2015

Independent review report to the members of TFS Corporation Ltd

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of TFS Corporation Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of TFS Corporation Ltd and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TFS Corporation Ltd is not in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
25 February 2015