

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

**Un-audited Financial Report  
For the nine months ended 31 March 2015**

**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**UN-AUDITED FINANCIAL REPORT**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

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**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**RESULTS FOR ANNOUNCEMENT TO MARKET**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

|  | Percentage change |          |    | 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 |
|--|-------------------|----------|----|--------------------------|--------------------------|
| <b>Revenue</b>                                 |                   |          |    |                          |                          |
| <b>Revenue (Cash)</b>                          |                   |          |    |                          |                          |
| Revenue from establishment fees and land sales | Up                | 127.2%   | to | 29,250                   | 12,876                   |
| Revenue from recurring fees                    | Up                | 31.0%    | to | 19,835                   | 15,141                   |
| Revenue from product sales                     | Up                | 50.1%    | to | 19,542                   | 13,017                   |
| Interest revenue                               | Down              | 11.3%    | to | 2,282                    | 2,571                    |
| Other revenue                                  | Up                | 67.3%    | to | 4,819                    | 2,880                    |
| <b>Revenue (Non-Cash)</b>                      |                   |          |    |                          |                          |
| Revenue from recognition of deferred fees      | Up                | 129.3%   | to | 21,665                   | 9,446                    |
| Gain on revaluation of biological assets       | Up                | 764.3%   | to | 138,007                  | 15,967                   |
| Other revenue                                  | Up                | 100%     | to | 18                       | -                        |
| Total revenue from ordinary activities         | Up                | 227.5%   | to | 235,418                  | 71,898                   |
| <b>EBITDA</b>                                  |                   |          |    |                          |                          |
| Cash EBITDA                                    | Up                | 232.4%   | to | 10,414                   | (7,861)                  |
| Non-Cash EBITDA                                | Up                | 334.9%   | to | 125,255                  | 28,800                   |
| Total EBITDA                                   | Up                | 548.1%   | to | 135,669                  | 20,939                   |
| <b>Net Profit After Tax</b>                    |                   |          |    |                          |                          |
| Net loss after tax (Cash*)                     | Up                | 62.2%    | to | (6,936)                  | (18,325)                 |
| Net profit after tax (Non-Cash*)               | Up                | 337.8%   | to | 88,258                   | 20,160                   |
| Net profit from ordinary activities after tax  | Up                | 4,344.2% | to | 81,322                   | 1,835                    |
| <b>Plantation Product Sold</b>                 |                   |          |    |                          |                          |
| Hectares of wholesale product sold             | Up                | 100%     | to | 399.0                    | -                        |
|  |                   |          |    | Cents                    | Cents                    |
| <b>Earnings Per Share</b>                      |                   |          |    |                          |                          |
| Basic EPS (Based on net profit after tax)      | Up                | 3,732.3% | to | 24.96                    | 0.65                     |
| Diluted EPS (Based on net profit after tax)    | Up                | 3,834.2% | to | 21.33                    | 0.54                     |
| <b>Net Tangible Assets per Share</b>           |                   |          |    | 31 MAR<br>2015<br>Cents  | 30 JUNE<br>2014<br>Cents |
| Net tangible asset backing per ordinary share  | Up                | 12.8%    | to | 126.42                   | 112.07                   |

**\*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).

**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**RESULTS FOR ANNOUNCEMENT TO MARKET**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

**Commentary on Results**

TFS reported NPAT for the nine months to 31 March 2015 of \$81.3m compared with a profit of \$1.8m for the previous corresponding period ("pcp"), an increase of \$79.5m.

The result for the period was impacted by the following:

- Revenues increased by 227% to \$235.4m from \$71.9m in the pcp. This increase was largely attributable to the tree revaluation gain of \$138.0m recognised in this period and the acquisition of 399ha by an institutional investor in December 2014;
- Revenue from establishment fees and land sales have increased by 87% to \$75.6m from \$40.3m in the pcp, mainly due the sale of 399ha to a respected US institutional investor. Establishment fee revenue is recognised in proportion to the establishment work performed at balance date;
- The increased tree revaluation gain was mainly due to a more favourable exchange rate, a higher oil price (US\$2,800 per kg compared to US\$2,500 per kg in the pcp) and a fair value gain due to a shorter period to harvest. Since the beginning of the period the AU\$ depreciated by 18c against the US\$;
- The foreign exchange impact included in the tree revaluation was partially offset by an unrealised foreign exchange loss of \$36.4m relating to the translation of the Group's US\$ denominated financial assets and liabilities;
- The plantations under management totalled approximately 9,078ha at 31 March 2015. TFS direct owned plantations were 2,325ha at 31 March 2015, up from 1,714ha in the pcp; and
- The increase in activities and plantation assets however resulted in salaries and corporate administration expenditure increasing for the period compared to pcp.

Cash and cash equivalents at 31 March 2015 of \$64.3m were \$24.3m down from 30 June 2014. In March 2015, the Group issued US\$25.0m of additional notes under the terms of the existing senior secured notes. The additional notes were issued at a premium to par of 8.0% and have an effective yield to maturity of 8.2%.

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

**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

|  | NOTE | 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 |
|--|------|--------------------------|--------------------------|
| Revenue  | 2    | 96,429                   | 55,102                   |
| Other income   | 2    | 138,989                  | 16,796                   |
| Direct plantation and other operating expenses   |      | (20,163)                 | (20,467)                 |
| Raw materials and consumables used   |      | (11,038)                 | (8,353)                  |
| Cost of land sold  |      | (4,119)                  | (2,710)                  |
| Salaries and employees benefits expense  |      | (16,403)                 | (13,807)                 |
| Sales and marketing expenses   |      | (2,297)                  | (1,193)                  |
| Corporate and other administration expenses  |      | (10,502)                 | (7,082)                  |
| Depreciation and amortisation expenses   |      | (6,270)                  | (4,994)                  |
| Finance costs  |      | (15,740)                 | (14,286)                 |
| Unrealised foreign exchange gain / (loss)  |      | (36,365)                 | 3,279                    |
| Share of net profits of associates   |      | 2,105                    | 187                      |
| <b>Profit before income tax expense</b>  |      | 114,626                  | 2,472                    |
| Income tax expense   |      | (33,304)                 | (637)                    |
| <b>Profit for the period</b>   |      | 81,322                   | 1,835                    |
| <b>Other comprehensive income</b>  |      |                          |                          |
| <i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i> |      |                          |                          |
| Foreign currency translation differences for foreign operations                                |      | 295                      | (38)                     |
| <b>Total comprehensive income for the period</b>   |      | 81,617                   | 1,797                    |
| <b>Earnings per share</b>  |      |                          |                          |
| Basic earnings per share (cents per share)   | 12   | 24.96                    | 0.65                     |
| Diluted earnings per share (cents per share)   | 12   | 21.33                    | 0.54                     |

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 MARCH 2015**

|   | NOTE | 31 MAR<br>2015<br>\$'000 | 30 JUNE<br>2014<br>\$'000 |
|---|------|--------------------------|---------------------------|
| <b>CURRENT ASSETS</b>                         |      |                          |                           |
| Cash and cash equivalents                     |      | 64,299                   | 88,581                    |
| Trade and other receivables                   | 3    | 51,358                   | 80,526                    |
| Inventories                                   | 4    | 22,183                   | 15,433                    |
| Current tax asset                             |      | 1,890                    | -                         |
| Other financial assets                        | 5    | 1,649                    | 3,239                     |
| <b>TOTAL CURRENT ASSETS</b>                   |      | <b>141,379</b>           | <b>187,779</b>            |
| <b>NON CURRENT ASSETS</b>                     |      |                          |                           |
| Trade and other receivables                   | 3    | 36,163                   | 47,100                    |
| Other financial assets                        | 5    | 6,795                    | 7,104                     |
| Property, plant and equipment                 | 6    | 134,269                  | 118,680                   |
| Deferred tax assets                           |      | 20,675                   | 15,422                    |
| Biological assets                             | 7    | 493,526                  | 348,105                   |
| Intangible assets                             | 8    | 109,131                  | 87,607                    |
| Investments accounted for using equity method |      | 9,701                    | 7,934                     |
| Other assets                                  |      | 7,345                    | 11,785                    |
| <b>TOTAL NON CURRENT ASSETS</b>               |      | <b>817,605</b>           | <b>643,737</b>            |
| <b>TOTAL ASSETS</b>                           |      | <b>958,984</b>           | <b>831,516</b>            |
| <b>CURRENT LIABILITIES</b>                    |      |                          |                           |
| Trade and other payables                      |      | 25,118                   | 63,449                    |
| Financial liabilities                         |      | 13                       | 16                        |
| Current tax liabilities                       |      | -                        | 13,401                    |
| Provisions                                    |      | 2,314                    | 2,223                     |
| Unearned income                               |      | 9,428                    | 23,215                    |
| <b>TOTAL CURRENT LIABILITIES</b>              |      | <b>36,873</b>            | <b>102,304</b>            |
| <b>NON CURRENT LIABILITIES</b>                |      |                          |                           |
| Provisions                                    |      | 2,004                    | 6,186                     |
| Financial liabilities                         | 9    | 231,489                  | 159,181                   |
| Deferred tax liabilities                      |      | 142,407                  | 94,162                    |
| Unearned income                               |      | 3,040                    | 3,356                     |
| <b>TOTAL NON CURRENT LIABILITIES</b>          |      | <b>378,940</b>           | <b>262,885</b>            |
| <b>TOTAL LIABILITIES</b>                      |      | <b>415,813</b>           | <b>365,189</b>            |
| <b>NET ASSETS</b>                             |      | <b>543,171</b>           | <b>466,327</b>            |
| <b>EQUITY</b>                                 |      |                          |                           |
| Issued capital                                | 10   | 188,948                  | 184,964                   |
| Asset revaluation reserve                     |      | 8,442                    | 8,442                     |
| Foreign currency translation reserve          |      | 271                      | (24)                      |
| Option/Warrant reserve                        |      | 10,084                   | 9,083                     |
| Retained earnings                             |      | 335,426                  | 263,862                   |
| <b>TOTAL EQUITY</b>                           |      | <b>543,171</b>           | <b>466,327</b>            |

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 NINE MONTHS ENDED 31 MARCH 2015**

|  | <b>Issued<br/>Capital<br/>\$'000</b> | <b>Reserves<br/>\$'000</b> | <b>Retained<br/>Earnings<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|--------------------------------------|----------------------------|---|-------------------------|
| <b>Balance at 1 July 2013</b>  | 117,760                              | 17,111                     | 189,761                                 | 324,632                 |
| Profit for the period  | -                                    | -                          | 1,835                                   | 1,835                   |
| Other comprehensive income   | -                                    | (38)                       | -                                       | (38)                    |
| <b>Total comprehensive income for the period</b>                                     | -                                    | (38)                       | 1,835                                   | 1,797                   |
| <b>Transaction with owners, in their capacity as owners,<br/>and other transfers</b> |                                      |                            |   |                         |
| Shares issued during the period  | 1,932                                | -                          | -                                       | 1,932                   |
| Dividends recognised for the period  | -                                    | -                          | (8,388)                                 | (8,388)                 |
| Employee share options issued during the period                                      | -                                    | 68                         | -                                       | 68                      |
| <b>Balance at 31 March 2014</b>  | 119,692                              | 17,141                     | 183,208                                 | 320,041                 |
| <b>Balance at 1 July 2014</b>  |                                      |                            |   |                         |
|  | 184,964                              | 17,501                     | 263,862                                 | 466,327                 |
| Profit for the period  | -                                    | -                          | 81,322                                  | 81,322                  |
| Other comprehensive income   | -                                    | 295                        | -                                       | 295                     |
| <b>Total comprehensive income for the period</b>                                     | -                                    | 295                        | 81,322                                  | 81,617                  |
| <b>Transaction with owners, in their capacity as owners,<br/>and other transfers</b> |                                      |                            |   |                         |
| Shares issued during the period  | 3,984                                | -                          | -                                       | 3,984                   |
| Dividends recognised for the period  | -                                    | -                          | (9,758)                                 | (9,758)                 |
| Employee share options issued during the period                                      | -                                    | 1,001                      | -                                       | 1,001                   |
| <b>Balance at 31 March 2015</b>  | 188,948                              | 18,797                     | 335,426                                 | 543,171                 |

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 NINE MONTHS ENDED 31 MARCH 2015**

|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |                                   |                                   |
| Receipt from operations                                      | 98,456                            | 73,908                            |
| Payments to suppliers and employees                          | (76,383)                          | (66,530)                          |
| Payments for land held for resale                            | (5,720)                           | (3,906)                           |
| Repayment of grower loans                                    | 6,824                             | 3,782                             |
| Interest received  | 2,282                             | 2,571                             |
| Finance charges  | (19,437)                          | (18,885)                          |
| Income tax paid  | (5,603)                           | (538)                             |
| <b>Net cash used in operating activities</b>                 | <b>419</b>                        | <b>(9,598)</b>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |                                   |                                   |
| Proceeds from the sale of property, plant and equipment      | 76                                | 105                               |
| Payments for plant and equipment                             | (14,624)                          | (11,666)                          |
| Payments for investment in own plantation                    | (35,982)                          | (2,906)                           |
| Receipts from investments                                    | 940                               | 2,103                             |
| Payments for investments                                     | (437)                             | (187)                             |
| Receipts from MIS custodian accounts                         | 1,639                             | 1,174                             |
| Payments to MIS custodian accounts                           | (78)                              | (54)                              |
| Payments for land and buildings                              | (6,775)                           | (2,307)                           |
| Acquisition of subsidiary (net of cash acquired)             | -                                 | (143)                             |
| <b>Net cash used in investing activities</b>                 | <b>(55,241)</b>                   | <b>(13,881)</b>                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |                                   |                                   |
| Repayment of borrowings                                      | (12)                              | (11)                              |
| Proceeds from borrowings                                     | 35,312                            | -                                 |
| Proceeds from employee share options exercised               | 1,001                             | -                                 |
| Proceeds from issue of shares                                | 1,421                             | -                                 |
| Dividends paid   | (7,182)                           | (6,434)                           |
| <b>Net cash provided by / (used in) financing activities</b> | <b>30,540</b>                     | <b>(6,445)</b>                    |
| <b>Net decrease in cash held</b>                             | <b>(24,282)</b>                   | <b>(29,924)</b>                   |
| Cash at the beginning of the period                          | 88,581                            | 56,517                            |
| <b>Cash at the end of the period</b>                         | <b>64,299</b>                     | <b>26,593</b>                     |

The accompanying notes form part of these financial statements.



**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The un-audited financial report covers TFS Corporation Ltd and its controlled entities ("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 nine month period ended 31 March 2015 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 financial performance of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the period 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 period.

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.

**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 nine months. 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 6 May 2015 by the Board of Directors.

**NOTE 2: REVENUE AND OTHER INCOME**

***Sales revenue:***

|                                 |        |        |
|---------------------------------|--------|--------|
| Revenue from sales and services | 75,572 | 40,315 |
| Revenue from product sales      | 19,542 | 13,029 |
| Interest on grower loans        | 1,315  | 1,758  |
| Total sales revenue             | 96,429 | 55,102 |

***Other income:***

|   |         |        |
|---|---------|--------|
| Interest received – Other persons / bank deposits | 967     | 813    |
| Other   | 15      | 16     |
| Gain on revaluation of plantations                | 138,007 | 15,967 |
| Total other income                                | 138,989 | 16,796 |

|                                |         |        |
|--------------------------------|---------|--------|
| Total revenue and other income | 235,418 | 71,898 |
|--------------------------------|---------|--------|

| 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 |
|--------------------------|--------------------------|
|--------------------------|--------------------------|

**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|------------------------------------|
| <b>NOTE 3: TRADE AND OTHER RECEIVABLES</b> |                                   |                                    |
| <b>Current</b>                             |                                   |                                    |
| Trade debtors                              | 30,965                            | 65,206                             |
| Allowance for impairment - trade debtors   | (178)                             | (316)                              |
| Loans to growers                           | 16,589                            | 11,302                             |
| Bonds and deposits                         | 30                                | 22                                 |
| Prepayments                                | 3,952                             | 4,312                              |
|  | <u>51,358</u>                     | <u>80,526</u>                      |
| <b>Non Current</b>                         |                                   |                                    |
| Loan to growers                            | 26,039                            | 38,557                             |
| Allowance for impairment – loan to growers | (172)                             | (47)                               |
| Other receivable <sup>(i)</sup>            | 10,296                            | 8,590                              |
|  | <u>36,163</u>                     | <u>47,100</u>                      |

(i) Included in Other non-current receivable is \$5.4m (30 June 2014: \$4.2m) relating to research and development funding to an associated company (Santalís Pharmaceutical Inc) to be recovered upon the successful commercialisation of Santalis' pharmaceutical products.

|                              | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|------------------------------|-----------------------------------|------------------------------------|
| <b>NOTE 4: INVENTORIES</b>   |                                   |                                    |
| Land held for resale         | 9,320                             | 7,718                              |
| Finished goods               | 7,265                             | 5,896                              |
| Work in progress             | 821                               | 14                                 |
| Seedlings at cost            | 2,314                             | 72                                 |
| Seed stock                   | 608                               | 680                                |
| Harvested trees              | 5                                 | 5                                  |
| Raw materials                | 1,974                             | 1,113                              |
| Provision for obsolete stock | (124)                             | (65)                               |
|                              | <u>22,183</u>                     | <u>15,433</u>                      |

**NOTE 5: OTHER FINANCIAL ASSETS**

|  |              |              |
|--|--------------|--------------|
| <b>Current</b>                         |              |              |
| Cash deposit – MIS custodian accounts  | 1,649        | 3,239        |
| <b>Non Current</b>                     |              |              |
| Cash deposit – MIS custodian accounts  | 1,716        | 1,687        |
| Cash deposit – First loss account      | 2,607        | 2,965        |
| Cash deposit – Bank guarantee facility | 2,452        | 2,452        |
| Other                                  | 20           | -            |
|  | <u>6,795</u> | <u>7,104</u> |

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Plant and equipment – at cost       | 87,708         | 73,218         |
| Accumulated depreciation            | (27,096)       | (21,548)       |
|                                     | <u>60,612</u>  | <u>51,670</u>  |
| Land and buildings – at fair value  | 75,009         | 68,234         |
| Accumulated depreciation            | (1,352)        | (1,224)        |
|                                     | <u>73,657</u>  | <u>67,010</u>  |
| Total property, plant and equipment | <u>134,269</u> | <u>118,680</u> |

**TFS CORPORATION LTD**  
**(ABN: 97 092 200 854)**  
**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2015**

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)**

**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 March 2015 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 \$73.66m. Information about the fair value hierarchy, is disclosed in Note 1 (aa) in the 30 June 2014 Annual Report.

|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|------------------------------------|
| <b>NOTE 7: BIOLOGICAL ASSETS</b>                         |                                   |                                    |
| Sandalwood plantation at cost:                           |                                   |                                    |
| Opening balance  | 221,268                           | 127,195                            |
| Additions / Disposal                                     | 10,744                            | 87,573                             |
| Plantation re-acquired                                   | -                                 | 6,909                              |
| Less: Harvested trees transferred to inventory           | -                                 | (409)                              |
|  | <u>232,012</u>                    | <u>221,268</u>                     |
| <br>Add: Fair value adjustment to Sandalwood plantation: |                                   |                                    |
| Opening balance  | 126,837                           | 64,266                             |
| Increments / Decrements                                  | 134,677                           | 63,301                             |
| Less: Harvested trees transferred to inventory           | -                                 | (730)                              |
|  | <u>261,514</u>                    | <u>126,837</u>                     |
| <br>Total biological assets                              | <u>493,526</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.

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|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|------------------------------------|
| <b>NOTE 8: INTANGIBLE ASSETS</b>   |                                   |                                    |
| 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   | 15,450                            | 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)  | 6,215                             | (4,637)                            |
| Closing balance  | 88,448                            | 66,924                             |
| Total intangibles  | 109,131                           | 87,607                             |

**NOTE 9: FINANCIAL LIABILITIES**

**Non Current**

Secured:

Hire purchase liability

11% Senior secured notes<sup>(i)</sup>

|         |         |
|---------|---------|
| -       | 9       |
| 231,489 | 159,172 |
| 231,489 | 159,181 |

(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. In March 2015, an additional US\$25m was issued under the same terms. The total liability of US\$175m has been converted to Australian dollars using an exchange rate of AUD1.308 (30 June 2014: AUD1.061).

|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|------------------------------------|
| <b>NOTE 10: ISSUED CAPITAL</b>                                     |                                   |                                    |
| 326,983,445 fully paid ordinary shares (30 June 2014: 324,157,408) | 188,948                           | 184,964                            |

Shares issued during the period:

- (i) On 29 September 2014, options over 1,110,000 shares which had been issued in August 2011 were exercised at \$1.28 per share.
- (ii) On 10 November 2014 the company issued 1,716,037 shares under its dividend reinvestment plan for \$1.494 per share.

**(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.

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**NOTE 10: ISSUED CAPITAL (Continued)**

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:

|                                 | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>30 JUNE<br/>2014<br/>\$'000</b> |
|---------------------------------|-----------------------------------|------------------------------------|
| Total borrowings                | 231,502                           | 159,197                            |
| Less: Cash and cash equivalents | (64,299)                          | (88,581)                           |
| Net debt                        | 167,203                           | 70,616                             |
| Total equity                    | 543,171                           | 466,327                            |
| Total capital                   | 710,374                           | 536,943                            |
| Gearing ratio                   | 23.54%                            | 13.15%                             |

**NOTE 11: 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.

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**NOTE 11: SEGMENT INFORMATION**

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

|   | <b>Plantation management</b>      |                                   | <b>Finance</b>                    |                                   | <b>Sandalwood products</b>        |                                   | <b>Agriculture</b>                |                                   | <b>Group</b>                      |                                   |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> |
| <b>Revenue</b>  |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |
| Establishment fees and land sales                         | 29,250                            | 12,876                            | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | 29,250                            | 12,876                            |
| Lease and management fees                                 | 19,835                            | 15,141                            | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | 19,835                            | 15,141                            |
| Product sales   | -                                 | -                                 | -                                 | -                                 | 19,542                            | 13,016                            | -                                 | -                                 | 19,542                            | 13,016                            |
| Sales of agriculture produce                              | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | 12                                | -                                 | 12                                |
| Interest – external                                       | 907                               | 722                               | 1,375                             | 1,849                             | -                                 | -                                 | -                                 | -                                 | 2,282                             | 2,571                             |
| Other – external  | 4,750                             | 2,521                             | 87                                | 348                               | -                                 | -                                 | -                                 | -                                 | 4,837                             | 2,869                             |
| Other – internal  | 54                                | 87                                | -                                 | -                                 | 318                               | 566                               | -                                 | -                                 | 372                               | 653                               |
| <b>Total segment revenue (Cash)</b>                       | <b>54,796</b>                     | <b>31,347</b>                     | <b>1,462</b>                      | <b>2,197</b>                      | <b>19,860</b>                     | <b>13,582</b>                     | <b>-</b>                          | <b>12</b>                         | <b>76,118</b>                     | <b>47,138</b>                     |
| <b>Operating revenue</b>                                  |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |
| Accrued income recognition                                | 21,665                            | 9,446                             | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | 21,665                            | 9,446                             |
| Gain on revaluation of plantation                         | 138,007                           | 15,967                            | -                                 | -                                 | -                                 | -                                 | -                                 | -                                 | 138,007                           | 15,967                            |
| <b>Total segment revenue (Non-cash)</b>                   | <b>159,672</b>                    | <b>25,413</b>                     | <b>-</b>                          | <b>-</b>                          | <b>-</b>                          | <b>-</b>                          | <b>-</b>                          | <b>-</b>                          | <b>159,672</b>                    | <b>25,413</b>                     |
| <b>Total segment revenue</b>                              | <b>214,468</b>                    | <b>56,760</b>                     | <b>1,462</b>                      | <b>2,197</b>                      | <b>19,860</b>                     | <b>13,582</b>                     | <b>-</b>                          | <b>12</b>                         | <b>235,790</b>                    | <b>72,551</b>                     |
| <b>Reconciliation of segment revenue to group revenue</b> |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   |
| Inter segment revenue                                     |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   | (372)                             | (653)                             |
| Unallocated revenue                                       |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   | -                                 | -                                 |
| <b>Total group revenue from ordinary activities</b>       |                                   |                                   |                                   |                                   |                                   |                                   |                                   |                                   | <b>235,418</b>                    | <b>71,898</b>                     |

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**NOTE 11: SEGMENT INFORMATION**

| Operating segments   | <b>Plantation management</b> |                          | <b>Finance</b>           |                          | <b>Sandalwood products</b> |                          | <b>Agriculture</b>       |                          | <b>Group</b>             |                          |
|--|------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 31 MAR<br>2015<br>\$'000     | 31 MAR<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000   | 31 MAR<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 31 MAR<br>2014<br>\$'000 |
| <b>Result</b>  |                              |                          |                          |                          |                            |                          |                          |                          |                          |                          |
| Earnings before interest, tax,<br>depreciation and amortisation<br>(EBITDA) - Cash | 2,443                        | (11,488)                 | 599                      | 1,991                    | 7,372                      | 1,624                    | -                        | 12                       | 10,414                   | (7,861)                  |
| (EBITDA) – Non-cash  | 125,255                      | 28,800                   | -                        | -                        | -                          | -                        | -                        | -                        | 125,255                  | 28,800                   |
| Inter segment earnings   | 54                           | 87                       | -                        | -                        | 318                        | 566                      | -                        | -                        | 372                      | 653                      |
| <b>Total</b>   | <b>127,752</b>               | <b>17,399</b>            | <b>599</b>               | <b>1,991</b>             | <b>7,690</b>               | <b>2,190</b>             | <b>-</b>                 | <b>12</b>                | <b>136,041</b>           | <b>21,592</b>            |

*Reconciliation of segment EBITDA to group EBITDA*

|                           |  |  |  |  |  |  |  |  |                |               |
|---------------------------|--|--|--|--|--|--|--|--|----------------|---------------|
| Inter segment revenue     |  |  |  |  |  |  |  |  | (372)          | (653)         |
| Unallocated revenue       |  |  |  |  |  |  |  |  | -              | -             |
| <b>Total group EBITDA</b> |  |  |  |  |  |  |  |  | <b>135,669</b> | <b>20,939</b> |

|   |                |              |            |              |              |              |          |           |                |              |
|---|----------------|--------------|------------|--------------|--------------|--------------|----------|-----------|----------------|--------------|
| <b>Segment result before income tax</b> | <b>105,038</b> | <b>(658)</b> | <b>646</b> | <b>2,070</b> | <b>7,209</b> | <b>1,514</b> | <b>-</b> | <b>12</b> | <b>112,893</b> | <b>2,938</b> |
|---|----------------|--------------|------------|--------------|--------------|--------------|----------|-----------|----------------|--------------|

*Reconciliation of segment result to group net profit before tax*

|   |  |  |  |  |  |  |  |  |                |              |
|---|--|--|--|--|--|--|--|--|----------------|--------------|
| Inter segment revenue   |  |  |  |  |  |  |  |  | (372)          | (653)        |
| Amounts not included in segment results but reviewed by the Board |  |  |  |  |  |  |  |  |                |              |
| Share of net profits of associates                                |  |  |  |  |  |  |  |  | 2,105          | -            |
| Unallocated expenses  |  |  |  |  |  |  |  |  | -              | 187          |
| <b>Net profit before tax from continued operations</b>            |  |  |  |  |  |  |  |  | <b>114,626</b> | <b>2,472</b> |

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**NOTE 11: SEGMENT INFORMATION**

| Operating segments  | <b>Plantation management</b> |                           | <b>Finance</b>           |                           | <b>Sandalwood products</b> |                           | <b>Agriculture</b>       |                           | <b>Group</b>             |                           |
|---|------------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|   | 31 MAR<br>2015<br>\$'000     | 30 JUNE<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 30 JUNE<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000   | 30 JUNE<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 30 JUNE<br>2014<br>\$'000 | 31 MAR<br>2015<br>\$'000 | 30 JUNE<br>2014<br>\$'000 |
| <b>Segment Assets</b>   |                              |                           |                          |                           |                            |                           |                          |                           |                          |                           |
| Segment Assets  | 918,580                      | 799,662                   | 45,395                   | 53,560                    | 46,810                     | 33,773                    | -                        | -                         | 1,010,785                | 886,995                   |
| Segment increases for the period:                                 |                              |                           |                          |                           |                            |                           |                          |                           |                          |                           |
| Capital expenditure   | 15,102                       | 12,229                    | -                        | -                         | -                          | -                         | -                        | -                         | 15,102                   | 12,229                    |
| Acquisitions  | 5,530                        | 7,052                     | -                        | -                         | 767                        | 712                       | -                        | -                         | 6,297                    | 7,764                     |
|   | 20,632                       | 19,281                    | -                        | -                         | 767                        | 712                       | -                        | -                         | 21,399                   | 19,993                    |
| <i>Reconciliation of segment assets to group assets</i>           |                              |                           |                          |                           |                            |                           |                          |                           |                          |                           |
| Inter segment eliminations  |                              |                           |                          |                           |                            |                           |                          |                           | (51,801)                 | (55,479)                  |
| Unallocated assets  |                              |                           |                          |                           |                            |                           |                          |                           | -                        | -                         |
| Total group assets from continuing operations                     |                              |                           |                          |                           |                            |                           |                          |                           | 958,984                  | 831,516                   |
| <b>Segment Liabilities</b>  |                              |                           |                          |                           |                            |                           |                          |                           |                          |                           |
| Segment Liabilities   | 413,950                      | 363,737                   | 30,428                   | 39,272                    | 14,152                     | 8,575                     | -                        | -                         | 458,530                  | 411,584                   |
| <i>Reconciliation of segment liabilities to group liabilities</i> |                              |                           |                          |                           |                            |                           |                          |                           |                          |                           |
| Inter segment eliminations  |                              |                           |                          |                           |                            |                           |                          |                           | (42,717)                 | (46,395)                  |
| Unallocated liabilities   |                              |                           |                          |                           |                            |                           |                          |                           | -                        | -                         |
| Total group liabilities from continuing operations                |                              |                           |                          |                           |                            |                           |                          |                           | 415,813                  | 365,189                   |



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|  | <b>31 MAR<br/>2015<br/>\$'000</b> | <b>31 MAR<br/>2014<br/>\$'000</b> |
|--|-----------------------------------|-----------------------------------|
| <b>NOTE 12: EARNINGS PER SHARE</b>   |                                   |                                   |
| Earnings used in calculating basic and diluted earnings per share                      | 81,322                            | 1,835                             |
| Weighted average number of ordinary shares used as the denominator in calculating the: |                                   |                                   |
| - Basic earnings per share   | 325,798                           | 280,945                           |
| - Diluted earnings per share   | 381,188                           | 337,445                           |

**NOTE 13: SUBSEQUENT EVENTS**

No events have occurred since the end of the three 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 14: CONTINGENT LIABILITIES**

There are no new contingent liabilities apart from those disclosed in Note 35 of the 30 June 2014 Annual Report.

**NOTE 15: 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.

**TFS CORPORATION LTD**  
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**DIRECTORS' DECLARATION**

The directors of the company declare that:-

1. The attached un-audited financial statements and notes, as set out on pages 3 to 15 are in accordance with Australian Accounting Standards and give a true and fair view of the Group's financial position as at 31 March 2015 and the performance for the nine months ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



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Dalton Gooding – Chairman of the Board

Dated at Perth this 6<sup>th</sup> day of May 2015.