

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

**Un-audited Financial Report
For the three months ended 30 September 2015**

TFS CORPORATION LTD
(ABN: 97 092 200 854)
UN-AUDITED FINANCIAL REPORT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

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TFS CORPORATION LTD
(ABN: 97 092 200 854)
RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

	Percentage change		30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
Revenue				
Revenue (Cash*)				
Revenue from establishment fees and land sales	Up	756.5%	to 23,853	2,785
Revenue from product sales	Up	30.6%	to 6,569	5,029
Other revenue	Down	12.2%	to 8,151	9,289
Revenue (Non-Cash*)				
Revenue from recognition of deferred fees	Up	7.5%	to 9,967	9,268
Gain on revaluation of biological assets	Up	48.4%	to 61,358	41,354
Gain on settlement of trade debtor	Down	100.0%	to -	19
Total revenue from ordinary activities	Up	62.2%	to <u>109,898</u>	<u>67,744</u>
EBITDA				
Cash EBITDA	Up	202.6%	to 6,382	(6,217)
Non-Cash EBITDA	Up	46.6%	to <u>57,413</u>	<u>39,175</u>
Total EBITDA	Up	93.6%	to <u>63,795</u>	<u>32,958</u>
Net Profit After Tax				
Net loss after tax (Cash*)	Up	80.6%	to (1,748)	(9,020)
Net profit after tax (Non-Cash*)	Up	53.2%	to <u>42,292</u>	<u>27,614</u>
Net profit from ordinary activities after tax	Up	118.1%	to <u>40,544</u>	<u>18,594</u>
			Cents	Cents
Earnings Per Share				
Basic EPS (Based on net profit after tax)	Up	111.1%	to 12.11	5.73
Diluted EPS (Based on net profit after tax)	Up	139.8%	to 11.75	4.90
Cash diluted EPS	Up	78.7%	to (0.51)	(2.38)
Earnings used in calculating cash diluted earnings per share				
Net loss after tax (Cash*)			<u>(1,748)</u>	<u>(9,020)</u>
Net Tangible Assets per Share				
Net tangible asset backing per ordinary share	Up	7.1%	to 142.51	133.12
Dividends				
Final dividend (FY15) – declared and paid on 9 November 2015			<u>3.00</u>	<u>3.00</u>

***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 THREE MONTHS ENDED 30 SEPTEMBER 2015

Commentary on Results

As a result of the cyclical nature of TFS' product sales, there is typically a heavy bias in TFS' earnings profile towards the end of each financial year and, as a consequence, the results in the first three months of the financial year usually bear little relevance to the full year result. The results for the three months ending 30 September 2015 are consistent with this trend.

TFS reported NPAT for the three months to 30 September 2015 of \$40.544m compared with \$18.594m for the previous corresponding period ("pcp"), an increase of 118%.

The result for the period was impacted by the following:

- Revenues increased by 62% to \$109.898m from \$67.744m in the pcp. This increase was largely attributable to the tree revaluation gain of \$61.359m recognised in this period compared to \$41.354m in the pcp;
- Revenue from establishment fees and land sales have increased by \$21.068m and 757% to \$23.853m, mainly due to the sale of 214ha of new Indian sandalwood plantations to the Church Commissioners for England. Establishment fee revenue is recognised in proportion to the establishment work performed at balance date;
- Increased tree revaluation gain was mainly due to the weakening AUD against the USD. Since the beginning of the period the AUD depreciated by 7.1c against the USD (from 1.297 AUD to 1.429 AUD). This resulted in an increased revaluation gain due to the Sandalwood oil price used in the biological asset valuation being denominated in USD;
- The foreign exchange impact included in the tree revaluation was partially offset by an unrealised foreign exchange loss of \$20.923m relating to the translation of the Group's USD denominated financial assets and liabilities;
- The plantations under management totalled approximately 10,583ha at 30 September 2015. TFS directly owned plantations were 2,357ha at 30 September 2015, compared to 2,331ha in the pcp; and
- The increase in activities, the scale of the plantations owned and managed by the Group and a broader and more comprehensive insurance policy also resulted in salaries and corporate administration expenditure increasing for the period compared to pcp.

Cash and cash equivalents at 30 September 2015 of \$30.365m were \$42.309m down from 30 June 2015. The movement primarily was attributable to (a) half yearly interest payments made on the US\$175m Senior Secured Notes, (b) settlement of land purchases, (c) completion of the transaction to acquire Santalis Pharmaceutical and ViroXis Corporation, and (d) general operating expenditure for the quarter.

TFS CORPORATION LTD

(ABN: 97 092 200 854)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	NOTE	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000 Restated
Revenue	2	48,544	26,366
Other income	2	61,354	41,378
Direct plantation and other operating expenses		(14,351)	(9,989)
Raw materials and consumables used		(2,799)	(3,201)
Salaries and employees benefits expense		(6,305)	(5,677)
Sales and marketing expenses		(1,816)	(334)
Corporate and other administration expenses		(6,635)	(3,812)
Depreciation and amortisation expenses		(2,295)	(2,168)
Finance costs		(7,482)	(4,778)
Unrealised foreign exchange gain / (loss)		(20,923)	(12,101)
Share of net profits of associates		7,011	636
Revaluation of biological assets – external MIS growers		19,363	13,593
Re-measurement of external MIS grower liabilities		(19,363)	(13,593)
Profit / loss before income tax expense		54,303	26,320
Income tax expense		(13,759)	(7,726)
Profit / loss for the period		40,544	18,594
Other comprehensive income			
Foreign currency translation differences for foreign operations		374	1
Net gain on uplift in land of an associated entity		247	-
Total comprehensive income for the period		41,165	18,595
Earnings per share			
Basic earnings per share (cents per share)	12	12.11	5.73
Diluted earnings per share (cents per share)	12	11.75	4.90

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 30 SEPTEMBER 2015

	NOTE	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents		30,365	72,674
Trade and other receivables	3	98,514	93,272
Inventories	4	30,441	23,660
Biological assets	7	20,129	17,564
Other financial assets	5	2,958	3,000
TOTAL CURRENT ASSETS		182,407	210,170
NON CURRENT ASSETS			
Trade and other receivables	3	49,248	43,540
Other financial assets	5	6,960	6,949
Property, plant and equipment	6	147,049	144,574
Deferred tax assets		30,828	24,869
Biological assets	7	685,681	607,010
Intangible assets	8	124,346	114,379
Investments accounted for using equity method		21,500	13,333
Other assets	13	41,561	8,511
TOTAL NON CURRENT ASSETS		1,107,173	963,165
TOTAL ASSETS		1,289,580	1,173,335
CURRENT LIABILITIES			
Trade and other payables		53,347	55,089
Financial liabilities		5	9
Current tax liabilities		5,765	7,772
Provisions		2,695	2,659
Unearned income		22,268	30,361
TOTAL CURRENT LIABILITIES		84,080	95,890
NON CURRENT LIABILITIES			
Provisions		1,995	1,816
Financial liabilities	9	391,707	349,384
Deferred tax liabilities		168,616	147,642
Unearned income		3,972	4,080
TOTAL NON CURRENT LIABILITIES		566,290	502,922
TOTAL LIABILITIES		650,370	598,812
NET ASSETS		639,210	574,523
EQUITY			
Issued capital	10	212,410	188,948
Asset revaluation reserve		9,023	8,776
Foreign currency translation reserve		645	271
Option/Warrant reserve		9,463	9,403
Retained earnings		407,669	367,125
TOTAL EQUITY		639,210	574,523

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 THREE MONTHS ENDED 30 SEPTEMBER 2015

	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2015	188,948	18,450	367,125	574,523
Profit for the period	-	-	40,544	40,544
Other comprehensive income	-	621	-	621
Total comprehensive income for the period		621	40,544	41,165
Transaction with owners, in their capacity as owners, and other transfers				
Proceeds from issue of shares	23,462	-	-	23,462
Share based payments	-	60	-	60
Balance at 30 September 2015	212,410	19,131	407,669	639,210
Balance at 1 July 2014				
	184,964	17,501	263,862	466,327
Profit for the period	-	-	18,594	18,594
Foreign exchange translation	-	1	-	1
Total comprehensive income for the period	-	1	18,594	18,595
Transaction with owners, in their capacity as owners, and other transfers				
Proceeds from issue of shares	1,421	-	-	1,421
Balance at 30 September 2014	186,385	17,502	282,456	486,343

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 THREE MONTHS ENDED 30 SEPTEMBER 2015

	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from operations	15,796	17,020
Payments to suppliers and employees	(33,067)	(28,829)
Payments for land held for resale	(5,575)	(1,122)
Repayment of grower loans	4,882	12,313
Interest received	1,415	676
Income tax paid	(751)	-
Finance charges	(12,197)	(8,987)
Net cash used in operating activities	(29,497)	(8,929)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property, plant and equipment	12	35
Payments for plant and equipment	(6,357)	(5,209)
Payments for investment in own plantation	(565)	(27,711)
Receipts from investments	-	860
Payments for investments	(5,764)	(198)
Receipts from MIS custodian accounts	55	39
Payments to MIS custodian accounts	(23)	(29)
Payments for land and buildings	(164)	(6,444)
Net cash used in investing activities	(12,806)	(38,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(4)	(4)
Proceeds from issue of shares	-	1,421
Dividends paid	(2)	(4)
Net cash provided by financing activities	(6)	1,413
Net decrease in cash held	(42,309)	(46,173)
Cash at the beginning of the period	72,674	88,581
Cash at the end of the period	30,365	42,408

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 THREE MONTHS ENDED 30 SEPTEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This un-audited financial report covers TFS Corporation Ltd (“TFS”) and its controlled entities (“the Group”). TFS is a for-profit listed public company, incorporated and domiciled in Australia whose shares are publically traded on the Australian Securities Exchange.

The financial report was authorised for issue on 30 November 2015 by the Board of Directors.

Basis of Preparation

These general purpose condensed financial statements for the three month period ended 30 September 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 2015, except for AASB 3: Business Combination as detailed in Note 14.

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 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 2015, 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.

The Director’s make estimates and judgements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group. The key judgements are set out in Note 1(y) of the Group’s Annual Report for the year ended 30 June 2015.

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 financial year. Higher sales during the fourth quarter of a financial year 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.

TFS CORPORATION LTD

(ABN: 97 092 200 854)

**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
NOTE 2: REVENUE AND OTHER INCOME		
Sales revenue:		
Revenue from sales and services	40,560	20,660
Revenue from product sales	6,569	5,029
Interest on grower loans	1,130	369
Interest received	285	308
Total sales revenue	48,544	26,366
Other income:		
Profit / (loss) on disposal of plant and equipment	(4)	5
Gain on settlement of trade debtor	-	19
Gain on revaluation of biological assets – TFS interest	61,358	41,354
Total other income	61,354	41,378
Total revenue and other income	109,898	67,744

	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
NOTE 3: TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	75,434	62,058
Allowances for impairment of receivables	(1,173)	(1,171)
	74,261	60,887
Loans to growers	21,615	29,479
Bonds and deposits	328	27
Prepayments	2,310	2,879
	98,514	93,272
Non Current		
Loan to growers	33,565	30,582
Provision for impairment of receivables	-	-
Other receivable ⁽ⁱ⁾	15,683	12,958
	49,248	43,540

⁽ⁱ⁾ Included in Other non-current receivable is \$6.379m (30 June 2015: \$6.379m) relating to research and development funding to a wholly owned subsidiary (Santalus Pharmaceutical Inc) to be recovered upon the successful commercialisation of Santalis' pharmaceutical products.

NOTE 4: INVENTORIES

At Cost:		
Land held for resale	13,705	12,622
Finished goods	12,586	7,646
Work in progress	301	15
Seedlings at cost	1,048	340
Seed stock	800	800
Harvested trees	5	240
Raw materials	2,192	2,135
Less: Provision for obsolete stock	(196)	(138)
	30,441	23,660

Land is considered current if it is going to be sold, in the ordinary course of business, within the next 12 months.

TFS CORPORATION LTD**(ABN: 97 092 200 854)****NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
NOTE 5: OTHER FINANCIAL ASSETS		
Current		
Cash deposit – MIS custodian accounts	2,958	3,000
Non Current		
Cash deposit – MIS custodian accounts	2,217	2,207
Cash deposit – First loss account	2,271	2,271
Cash deposit – Bank guarantee facility	2,452	2,452
Other	20	19
	6,960	6,949

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2015, the Group acquired assets with a cost of \$6.505m.

No major assets were disposed of by the Group during the period ended 30 September 2015.

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 30 September 2015 and 30 June 2015 were based on the independent and external property and land values 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. Properties were valued at their highest and best use which is consistent with current use. An independent valuation is expected to be performed during the 2016 financial year.

The fair value estimates for land and buildings are included in Level 3 of the fair value hierarchy. The key input under the market comparable method adopted is the price per hectare (ranging from \$10,000 to \$30,000 per hectare) based on current year sales of comparable lots of land in the same area (location and size).

The Group's freehold land and buildings are categorised as Level 3 in the fair value hierarchy for \$80.526m. Information about the fair value hierarchy, is disclosed in Note 1 (z) in the 30 June 2015 Annual Report.

TFS CORPORATION LTD

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	SEPT 2015 \$'000	SEPT 2015 \$'000	SEPT 2015 \$'000
NOTE 7: BIOLOGICAL ASSETS:	TFS INTEREST (i) (ii)	EXTERNAL MIS GROWER INTEREST (iii)	TOTAL
Sandalwood plantation at cost:			
Opening balance	241,265	53,821	295,086
Additions / Disposal	514	-	514
Plantation re-acquired	-	-	-
Less: Harvested trees transferred to inventory	-	-	-
	241,779	53,821	295,600
Add: Fair value adjustment to sandalwood plantation:			
Opening balance	263,271	66,217	329,488
Gain / (loss) on re-measurement to fair value	61,359	19,363	80,722
Additions / disposal	-	-	-
Less: Harvested trees transferred to inventory	-	-	-
	324,630	85,580	410,210
Total Biological Assets	566,409	139,401	705,810
Classified as current (iv)	20,129	-	20,129
Classified as non current	546,280	139,401	685,681

(i) Biological assets are encumbered to the extent set out in note 10(e) of the 2015 Annual Report.

(ii) This represents plantations owned by TFS and TFS' direct interest within MIS projects.

(iii) The External MIS grower interest represents the third party grower interest in the biological assets. Certain MIS are consolidated for accounting purposes (Refer notes 1(y) and 29 of the 2015 Annual Report). The Group has a restricted interest in these assets.

(iv) Biological assets classified as current are expected to be harvested, processed and monetised during the 2016 financial year.

	JUNE 2015 \$'000	JUNE 2015 \$'000	JUNE 2015 \$'000
	TFS INTEREST	EXTERNAL MIS GROWER INTEREST	TOTAL
Sandalwood plantation at cost:			
Opening balance	221,268	53,997	275,265
Additions / Disposal	19,064	(176)	18,888
Plantation re-acquired	965	-	965
Less: Harvested trees transferred to inventory	(32)	-	(32)
	241,265	53,821	295,086
Add: Fair value adjustment to sandalwood plantation:			
Opening balance	126,837	32,138	158,975
Gain / (loss) on re-measurement to fair value	136,632	34,226	170,858
Additions / disposal	-	(147)	(147)
Less: Harvested trees transferred to inventory	(198)	-	(198)
	263,271	66,217	329,488
Total Biological Assets	504,536	120,038	624,574
Classified as current	17,564	-	17,564
Classified as non current	486,972	120,038	607,010

TFS CORPORATION LTD

(ABN: 97 092 200 854)

**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
NOTE 8: INTANGIBLE ASSETS		
Goodwill – at cost	20,205	20,205
Supply agreements – at cost	478	478
Accrued income receivable		
Opening balance	93,696	66,924
Recognition of deferred fees	8,002	23,430
Deferred fees realised upon harvest	-	(141)
Impairment recovery / (provision)	1,965	3,483
Closing balance	103,663	93,696
Total intangibles	124,346	114,379

	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
NOTE 9: FINANCIAL LIABILITIES		
Non Current		
Secured:		
11% Senior secured note ⁽ⁱ⁾	252,306	229,346
External MIS grower liabilities	139,401	120,038
	391,707	349,384

⁽ⁱ⁾ US\$175 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 AUD1.429 (30 June 2015: AUD1.297).

NOTE 10: ISSUED CAPITAL

339,658,850 fully paid ordinary shares (30 June 2015: 326,983,445)	212,410	188,948
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On 4 August 2015, 12,675,405 ordinary shares were issued pursuant to the pharmaceutical partners acquisition announced on 18 June 2015.

(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.

TFS CORPORATION LTD**(ABN: 97 092 200 854)****NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015****NOTE 10: ISSUED CAPITAL**

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

	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000
Total borrowings	252,311	229,355
Less: Cash and cash equivalents	(30,365)	(72,674)
Net debt	221,946	156,681
Total equity	639,210	574,523
Total capital	861,156	731,204
Gearing ratio	25.77%	21.43%

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

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.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

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

	Plantation management		Finance		Sandalwood products		Group	
	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000

Revenue

Establishment fees and land sales	23,853	2,785	-	-	-	-	23,853	2,785
Lease and management fees	4,371	6,535	-	-	-	-	4,371	6,535
Product sales	-	-	-	-	6,569	5,029	6,569	5,029
Interest – external	273	283	1,142	393	-	-	1,415	676
Other – external	2,308	2,075	22	3	35	-	2,365	2,078
Other – internal	277	54	-	-	149	120	426	174

Operating revenue

Accrued income recognition	9,967	9,268	-	-	-	-	9,967	9,268
Gain on settlement of trade debtor	-	19	-	-	-	-	-	19
Gain on revaluation of plantation	61,358	41,354	-	-	-	-	61,358	41,354

Total segment revenue (Non-cash)

Total segment revenue	102,407	62,373	1,164	396	6,753	5,149	110,324	67,918
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Reconciliation of segment revenue to group revenue

Less other income							(61,354)	(41,378)
Inter segment revenue							(426)	(174)
Unallocated revenue								-
Total group revenue from ordinary activities							48,544	26,366

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(ABN: 97 092 200 854)
NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

NOTE 11: SEGMENT INFORMATION

Operating segments	Plantation management		Finance		Sandalwood products		Group	
	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
Result								
Earnings before interest, tax, depreciation and amortisation (EBITDA)	58,235	31,951	1,143	(63)	4,843	1,244	64,221	33,132
<i>Reconciliation of segment EBITDA to group EBITDA</i>								
Inter segment revenue							(426)	(174)
Unallocated revenue								-
Total group EBITDA							63,795	32,958
Segment result before income tax	41,894	24,824	1,154	(41)	4,670	1,075	47,718	25,858
<i>Reconciliation of segment result to group net profit before tax</i>								
Inter segment revenue							(426)	(174)
Amounts not included in segment results but reviewed by the Board								
Share of net profits of associates							7,011	636
Net profit before tax from continued operations							54,303	26,320

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FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

NOTE 11: SEGMENT INFORMATION

Operating segments	Plantation management		Finance		Sandalwood products		Group		
	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000	30 SEPT 2015 \$'000	30 JUNE 2015 \$'000	
Segment Assets	1,101,649	1,015,565	58,636	63,123	55,404	46,298	1,215,689	1,124,986	
Segment increases for the period:									
Capital expenditure	3,950	16,881	-	-	-	-	3,950	16,881	
Acquisitions	2,126	8,111	-	-	434	1,394	2,560	9,505	
	6,076	24,992	-	-	434	1,394	6,510	26,386	
<i>Reconciliation of segment assets to group assets</i>									
External MIS grower interest in biological assets							139,401	120,038	
Inter segment eliminations							(65,510)	(71,689)	
Total group assets from continuing operations							1,289,580	1,173,335	
Segment Liabilities	507,700	480,108	43,843	49,485	15,852	11,786	567,395	541,379	
<i>Reconciliation of segment liabilities to group liabilities</i>									
External MIS grower liabilities							139,401	120,038	
Inter segment eliminations							(56,426)	(62,605)	
Total group liabilities from continuing operations							650,370	598,812	

TFS CORPORATION LTD

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015**

	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
NOTE 12: EARNINGS PER SHARE		
Earnings used in calculating basic and diluted earnings per share	40,544	18,594
Weighted average number of ordinary shares used as the denominator in calculating the:		
- Basic earnings per share	334,837	324,218
- Diluted earnings per share	345,164	379,608
	30 SEPT 2015 \$'000	30 SEPT 2014 \$'000
NOTE 13: OTHER ASSETS		
Consideration for Santalis Pharmaceutical and ViroXis Corporation	33,235	-
Other assets	8,326	8,511
	<u>41,561</u>	<u>8,511</u>

Refer to Note 14 for details of the investment in Santalis Pharmaceutical and ViroXis Corporation.

NOTE 14: ACQUISITION OF SUBSIDIARIES

On 18 June 2015, TFS Corporation Ltd entered into agreements to acquire the remaining 50% of the shares of Santalis Pharmaceuticals and 100% of the shares of ViroXis Corporation for a minimum combined consideration of US\$23.4m. Completion was subject to a number of conditions which were satisfied on 4 August 2015, as announced to the market on this date.

The total maximum consideration payable by the Group consists of fixed minimum payments of US\$23.4 million and contingent payments over time of up to US\$221.5 million.

The fixed minimum payments comprise:

- The issue of 12.68m ordinary shares in TFS Corporation Ltd on 4 August 2015 to Santalis Pharmaceuticals and ViroXis Corporation;
- The issue of 1.74m ordinary shares in TFS Corporation Ltd on 8 October 2015 to Santalis Pharmaceuticals and ViroXis Corporation;
- The expected issue of 0.92m ordinary shares in TFS Corporation Ltd to Santalis Pharmaceuticals in calendar year 2016; and
- Cash payment of \$2.875m to ViroXis Corporation.

The contingent consideration comprising cash or shares, at TFS' election, only becomes payable when the companies achieve significant operating and commercial milestones (from the launch or approval of new pharmaceutical products containing Indian sandalwood oil) and significant operating cash inflows. Any milestone and earn out payments are expected to be made over the next 8 years.

In accordance with "AASB 3: Business Combinations", an acquirer has one year from the acquisition date ("the measurement period") to finalise the business combination accounting. At the date of lodgement of these financial statements, the Group is in the process of determining the provisional business combination accounting. It has not been practicable for the Group to identify and measure all of the assets and liabilities acquired, nor classify and measure the contingent consideration payable for the purposes of acquisition accounting.

The 31 December 2015 statutory interim financial statements will include provisional acquisition accounting and the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in Santalis held by the acquirer before the business combination. These half year accounts will be reviewed by the company's auditors, EY.

TFS CORPORATION LTD
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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

NOTE 14: ACQUISITION OF SUBSIDIARIES

As at 30 September 2015, the consideration for the investments in Santalis Pharmaceuticals and ViroXis Corporation has been included within Other Assets on the Statement of Financial Position.

NOTE 15: SUBSEQUENT EVENTS

On 26 November 2015, the Group announced the issuance of US\$25m of additional Senior Secured Notes under the provisions of its existing Senior Secured Notes, which are set out in Note 20 of the 30 June 2015 Annual Report.

On 9 November 2015; a final 3 cent dividend was paid for the financial year ended 30 June 2015 with 1,612,800 ordinary shares issued under the dividend reinvestment plan.

On 8 October 2015; 1,740,886 ordinary shares were issued pursuant to the acquisition of the pharmaceutical partners.

No other 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 16: CONTINGENT LIABILITIES

There are no new contingent liabilities apart from those disclosed in Note 33 of the 30 June 2015 Annual Report.

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: RESTATEMENT RELATING TO THE APPLICATION OF AASB 10 CONSOLIDATED FINANCIAL STATEMENTS (AASB 10)

The Group applied AASB 10 for the first time in the year ended 30 June 2015. AASB 10 requires a continuous assessment of control to be performed. A review of the Group's interests in the Managed Investment Schemes for which the Company or one of its controlled entities is the Responsible Entity has identified that the following schemes are controlled by the Company:-

TFS Sandalwood Project 2004 Premium
TFS Sandalwood Project 2005
TFS Sandalwood Project 2006
TFS Sandalwood Project 2007

The assessment of control was performed based on the factors outlined in note 1 (y) of the 2015 Annual Report.

The impact on the Group's net profit or loss for the three months ended 30 September 2015 and 2014 is as follows:

	30 SEPT 2015	30 SEPT 2014
	\$'000	\$'000
Revaluation of biological assets – external MIS growers	19,363	13,593
Re-measurement of external MIS grower liabilities	(19,363)	(13,593)
Increase in net profit or loss	-	-

The restatement had no impact on net assets as at 30 September 2015 or 30 June 2015 nor did it have an impact on opening retained earnings at 1 July 2014 or EPS disclosures.

TFS CORPORATION LTD
(ABN: 97 092 200 854)
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 18 give a true and fair view of the Group's financial position as at 30 September 2015 and the performance for the three months ended on that date in accordance with Australian Accounting Standards except for AASB 3: Business Combination as detailed in Note 14.
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:



Dalton Gooding – Chairman of the Board

Dated at Perth this 30th day of November 2015.