

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

**Un-audited Financial Report
For the 9 months ended 31 March 2013**

TFS CORPORATION LTD
(ABN: 97 092 200 854)

UN-AUDITED FINANCIAL REPORT
FOR THE 9 MONTHS ENDED 31 MARCH 2013

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TFS CORPORATION LTD
(ABN: 97 092 200 854)

**RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

Current reporting period Period ended 31 March 2013

Previous corresponding period Period ended 31 March 2012

					ECONOMIC ENTITY	
					31-Mar-13	31-Mar-12
	Percentage Change			9 mths	9 mths	
				\$'000	\$'000	
Revenue						
Revenue (Cash*)						
Revenue from establishment fees	Down	95.6%	to	1,140	25,993	
Revenue from recurring fees	Up	24.0%	to	12,201	9,843	
Revenue from product sales	Up	2.6%	to	11,799	11,503	
Interest revenue	Down	19.9%	to	4,809	6,005	
Other revenue	Down	28.5%	to	1,807	2,526	
Revenue (Non-Cash*)						
Revenue from recognition of deferred fees	Up	6.3%	to	12,824	12,060	
Gain on revaluation of biological asset	Up	125.4%	to	17,933	7,955	
Gain on settlement of trade debtor	Down	-		-	9,005	
Total Revenue from ordinary activities	Down	26.4%	to	<u>62,513</u>	<u>84,890</u>	
EBITDA						
Cash EBITDA	Down	-	to	(12,623)	15,438	
Non Cash EBITDA	Up	31.6%	to	31,408	23,869	
TOTAL EBITDA	Down	52.2%	to	<u>18,785</u>	<u>39,307</u>	
Total Comprehensive Income for the Period After Tax						
Total Comprehensive Income for the Period (Cash*)	Down	-	to	(18,505)	1,326	
Total Comprehensive Income for the period (Non Cash**)	Up	55.3%	to	21,985	14,154	
Total Comprehensive Income for the Period After Tax	Down	77.5%	to	<u>3,480</u>	<u>15,480</u>	
Plantation Product Sold						
Hectares of MIS product sold	-	-	to	0.0	0.0	
Hectares of wholesale product sold	Down	-	to	0.0	580.0	
	Down	-	to	<u>0.0</u>	<u>580.0</u>	
Earnings Per Share						
Basic EPS (Based on Comprehensive Income)	Down	77.6%	to	1.24	5.57	
Diluted EPS (Based on Comprehensive Income)	Down	77.6%	to	1.24	5.57	
Cash Diluted EPS	Down	-	to	(6.62)	0.48	
Earnings used in calculating cash diluted earnings per share						
Net Profit/(Loss) After Tax (Cash)				(18,505)	1,326	
Comprehensive Income Net of Tax (Cash)				-	-	
				<u>(18,506)</u>	<u>1,326</u>	

TFS CORPORATION LTD
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**RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

Net Tangible Assets per Share				31-Mar-13 (cents)	30-Jun-12 (cents)
Net tangible asset backing per ordinary share	Down	4.2%	to	63.33	66.10

No dividends are proposed for the 9 months ended 31 March 2013.

The Group has gained control of an associated entity during the period and up to the date of release of this report. Refer to note 27 (Subsequent Events).

Definition of Cash / Non Cash Revenue *

For the purpose of the above figures the term 'Cash' refers to revenue / profits recorded in the financial statements relating to activities that bring in current cash resources. The term 'Non-Cash' refers to revenue / profits recorded in the financial statements that do not necessarily result in current cash resources for the Group but rather record the Group's interest in items that should bring in cash resources in the future (e.g. on harvest).

Definition of Cash / Non Cash Revenue – Comprehensive Income Net of Tax **

For the purpose of the above figures the term 'Cash' refers to profits recorded in the financial statements relating to the realisation of land revaluation reserve, due to actual land sales for the year. The term 'Non-Cash' refers to profits recorded in the financial statements relating to the realisation of land revaluation reserve due to an accounting reclassification of land as inventory (held for resale), that should bring in cash resources in the future (e.g. on date of actual sale).

Commentary on Results

As a result of the cyclical nature of TFS' business, there is typically a heavy bias in TFS' earnings profile towards the end of each financial year and the results in the first nine months of the year usually bear little relevance to the full year result. The results for the 9 months ending 31 March 2013 are a reflection of this trend.

TFS reported NPAT for the nine months to 31 March 2013 of \$3.5m compared with NPAT of \$15.5m against the previous corresponding period ("pcp"), a decrease of 77.5%.

The result for the period was impacted by the following:

- revenues decreased by 26.4% to \$62.5m from \$84.9m in the pcp. This decrease is mainly due to revenue not being recognised from wholesale establishment fees compared to the recognition of a significant Beyond Carbon sale in the pcp;
- the increase in the tree revaluation gain from \$8.0m to \$17.9m, which is attributable to the increased number of trees the Group owns in its own right of 641ha, compared to 312ha for most of the pcp;
- revenue for the 9 months also includes \$12.8m compared with \$12.1m in the pcp in respect of fees earned during the period, but not yet invoiced, and relates to the Group's deferred lease and management fee products;
- costs were largely contained notwithstanding the increase in activities and plantation sizes, with normal operating expenditure increasing only 7% from \$35.3m in the pcp to \$37.9m for the nine month period ending 31 March 2013; and
- movement in the AU dollar / US dollar exchange rate was more favourable compared with the pcp.

At 31 March 2013, TFS had unrestricted cash on hand of \$38.2m compared with \$55.1m at 30 June 2012. However, subsequent to quarter end and following the sale of a portfolio of MIS loans, the cash balance has improved to \$53.0m at the end of May 2013.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 9 MONTHS ENDED 31 MARCH 2013

	NOTE	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000
Revenue	2	43,073	65,673
Other income	2	19,440	19,217
Raw materials and consumables used		(7,438)	(6,926)
Cost of land sold		-	284
Depreciation and amortisation expenses		(3,379)	(3,486)
Finance costs		(143)	(175)
Interest paid		(12,181)	(12,890)
Unrealised foreign exchange gain / (loss)		2,378	(2,962)
Salaries and employees benefits expense		(12,494)	(10,375)
Consulting and professional fees		(1,814)	(1,777)
Bad debts expense		-	(1)
Provision for impairment of receivables		(2,871)	(2,189)
Commissions		(349)	(753)
Marketing costs		(782)	(981)
Direct plantation and nursery operations		(6,778)	(5,938)
Rent / rates / lease costs		(4,550)	(4,368)
Water		(1,018)	(907)
Repairs and maintenance		(1,645)	(1,004)
Research and development expenses		(1,151)	(1,194)
Travel and accomodation		(928)	(1,031)
Insurance		(778)	(737)
Other expenses from ordinary activities		(2,099)	(2,545)
Share of net profits of associates		101	117
Profit before income tax expense		4,594	25,052
Income tax expense relating to ordinary activities		(1,114)	(9,572)
Profit for the period		3,480	15,480
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		3,480	15,480
Earnings per share			
Basic earnings per share (cents per share)	24	1.24	5.57
Diluted earnings per share (cents per share)	24	1.24	5.57

The accompanying notes form part of these financial statements

TFS CORPORATION LTD
(ABN: 97 092 200 854)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	NOTE	31-Mar-13 \$'000	30-Jun-12 \$'000
CURRENT ASSETS			
Cash and cash equivalents	22(i)	38,190	55,124
Trade and other receivables	3	79,154	81,317
Inventories	4	49,044	38,899
Current tax asset	5	11,978	-
Other financial assets	6	2,142	4,157
TOTAL CURRENT ASSETS		<u>180,508</u>	<u>179,497</u>
NON CURRENT ASSETS			
Trade and other receivables	7	14,548	48,527
Other financial assets	8	7,515	7,879
Property, plant and equipment	9	74,587	68,801
Deferred tax assets		4,223	7,408
Biological assets	10	103,630	85,697
Intangible assets	11	95,299	84,056
Investments accounted for using equity method	12	775	674
Other	14	8,778	9,316
TOTAL NON-CURRENT ASSETS		<u>309,355</u>	<u>312,358</u>
TOTAL ASSETS		<u>489,863</u>	<u>491,855</u>
CURRENT LIABILITIES			
Trade and other payables	15	15,277	26,541
Financial liabilities	17	14	13
Current tax liabilities		-	195
Provisions	16	1,705	1,470
Unearned income	18	1,734	2,969
TOTAL CURRENT LIABILITIES		<u>18,730</u>	<u>31,188</u>
NON-CURRENT LIABILITIES			
Financial liabilities	19	144,051	146,490
Deferred tax liabilities		51,953	42,933
Unearned income	20	2,759	2,354
TOTAL NON-CURRENT LIABILITIES		<u>198,763</u>	<u>191,777</u>
TOTAL LIABILITIES		<u>217,493</u>	<u>222,965</u>
NET ASSETS		<u>272,370</u>	<u>268,890</u>
EQUITY			
Issued capital	21	117,760	117,760
Asset revaluation reserve		8,048	8,048
Option/Warrant reserve		8,992	8,992
Retained earnings		137,570	134,090
TOTAL EQUITY		<u>272,370</u>	<u>268,890</u>

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 31 MARCH 2013

	NOTE	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		54,468	28,183
Payments to suppliers and employees		(58,378)	(50,001)
Payments for land held for resale		(2,977)	(33,646)
Repayment of loans from growers		8,620	2,670
Interest received		4,809	6,005
Dividends received		60	-
Interest paid		(16,182)	(9,681)
Income tax paid		(1,080)	(3,847)
Net cash used in operating activities	22(ii)	<u>(10,660)</u>	<u>(60,317)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		43	48
Payments for plant & equipment		(7,629)	(7,309)
Payments for investment in own plantation		-	(184)
Payments for land development		-	(743)
Receipts from investments		531	766
Payments for investments		(101)	(2,016)
Receipts from MIS Custodian accounts		2,078	-
Payments to MIS Custodian accounts		(79)	-
Payments for land & buildings		(1,107)	(314)
Net cash used in investing activities		<u>(6,264)</u>	<u>(9,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(8)	(66)
Proceeds from Borrowings		1	22,295
Dividends paid		(3)	(8,476)
Net cash provided by financing activities		<u>(10)</u>	<u>13,753</u>
Net increase / (decrease) in cash held		(16,934)	(56,316)
Cash at beginning of period		55,124	76,903
Cash at end of period		<u>38,190</u>	<u>20,587</u>

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

These general purpose financial statements for the 9 month period ended 31 March 2013 have been prepared in accordance with applicable Australian Accounting Standards and the accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2012.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of these interim financial statements.

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 9 months 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 2012, together with any public announcements made during the 9 months.

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.

Authority for Issue

The financial report was authorised for issue on 31 May 2013 by the board of directors.

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

	31-Mar-13	31-Mar-12
	9 mths	9 mths
	\$'000	\$'000
NOTE 2: REVENUE		
<i>Sales revenue:</i>		
Revenue from operating activities:		
Revenue from land sales and services	27,977	49,495
Revenue from product sales	11,799	11,508
Revenue from farming operations	-	961
Interest on loans	3,297	3,709
Total sales revenue	43,073	65,673
<i>Other income:</i>		
Dividends received	60	-
Interest received - Other persons	1,512	2,296
Profit / (Loss) on disposal of plant & equipment	(65)	(39)
Gain on revaluation of plantations	17,933	7,955
Gain on Settlement of Trade Debtor	-	9,005
Total other income	19,440	19,217
Total revenue and other income	62,513	84,890

	31-Mar-13	30-Jun-12
	\$'000	\$'000
NOTE 3: TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade Debtors	47,923	71,825
Provision for impairment of receivables	(598)	(451)
	47,325	71,374
Loans to growers	30,684	8,187
Bonds & deposits	7	5
Prepayments	1,138	1,751
	79,154	81,317

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

	31-Mar-13	30-Jun-12
	\$'000	\$'000
NOTE 4: INVENTORIES (CURRENT)		
At cost:		
Land held for resale	35,493	32,516
Plantation held for sale (a)	2,850	-
Finished goods	8,571	5,077
Work in progress	-	52
Seedlings at cost	1,322	982
Seed stock	719	222
Harvested trees	42	42
Raw materials	139	94
Less: Provision for obsolete stock	(92)	(86)
	49,044	38,899

(a) Plantations, established by the Group intended for sale to potential investors (wholesale or retail) are classified as inventory and measured at the lower of cost or net realisable value. Unlike Group owned trees, which are classified as biological assets, the Group does not recognise any increments in the net market value of the trees as income in the statement of profit or loss and other comprehensive income.

NOTE 5: CURRENT TAX ASSET

Deferred Tax Asset - Tax Losses	10,898	-
Tax instalments	1,080	-
	11,978	-

NOTE 6: OTHER FINANCIAL ASSETS (CURRENT)

Cash Deposit - Escrow Accounts	-	1
Cash Deposit - MIS Custodian Accounts	2,142	4,156
	2,142	4,157

NOTE 7: TRADE AND OTHER RECEIVABLES (NON CURRENT)

Loans to growers	14,548	45,665
Less: Provision for impairment of receivables	-	-
	14,548	45,665
Loans to employees under share acquisition plan	-	5,142
Less: Provision for impairment of receivables	-	(2,280)
	-	2,862
Total Receivable (Non Current)	14,548	48,527

NOTE 8: OTHER FINANCIAL ASSETS (NON CURRENT)

Cash Deposit - First Loss Account	4,051	4,430
Cash Deposit - Bank Guarantee Facility	2,708	2,708
Cash Deposit - MIS Custodian Accounts	756	741
	7,515	7,879

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

	31-Mar-13	30-Jun-12
	\$'000	\$'000
NOTE 9: PROPERTY, PLANT & EQUIPMENT		
Plant & Equipment - at cost	46,369	39,386
Less: Accumulated depreciation	(15,199)	(13,066)
	31,170	26,320
Land & Buildings at fair value	44,258	43,186
Land & Buildings at cost	-	-
Less: Accumulated amortisation	(841)	(705)
	43,417	42,481
Total property, plant & equipment	74,587	68,801
NOTE 10: BIOLOGICAL ASSETS		
Sandalwood plantation at cost:		
Opening balance	33,906	6,369
Additions	-	2,812
Plantation re-acquired	-	24,725
Closing Balance	33,906	33,906
Add: Fair value adjustment to sandalwood plantation:		
Opening balance	51,791	41,638
Gain on revaluation of plantations	17,933	10,153
Closing balance	69,724	51,791
Total biological assets	103,630	85,697
NOTE 11: INTANGIBLE ASSETS		
Goodwill:		
Cost	20,034	20,034
Accumulated impaired losses	-	-
	20,034	20,034
Supply agreements:		
Cost	478	478
Accumulated impaired losses	-	-
	478	478
Accrued Income Receivable		
Opening balance	63,544	45,574
Increments / (Decrements)	12,824	17,970
Disposal	(1,581)	-
Closing Balance	74,787	63,544
Total intangibles	95,299	84,056

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

31-Mar-13 **30-Jun-12**
\$'000 **\$'000**

**NOTE 12: INVESTMENTS ACCOUNTED FOR
USING EQUITY METHOD**

Opening balance	674	647
Investment	-	8
Share of net profit for period	101	19
	775	674

NOTE 13: ASSOCIATED COMPANIES

Interests are held in the following associated companies:

Name	Principal Activities	Country of Incorp.	Shares	Ownership Interest		Carry amount of Investment	
				Mar-13 %	Jun-12 %	Mar-13 \$'000	Jun-12 \$'000
Northern Development Corporation Ltd	Land Development	Australia	Ord	50	50	519	367
Gulf Natural Supply Co.	Sandalwood Oil Distributor	UAE	Ord	49	49	248	299
Santalal Pharmaceutical Inc.	Pharmaceuticals	USA	Ord	50	50	8	8
						775	674

31-Mar-13 **30-Jun-12**
\$'000 **\$'000**

NOTE 14: OTHER ASSETS (NON CURRENT)

Water rights	1	1
	1	1
Land preparation costs	10,945	10,945
Less: Provision for Amortisation	(2,168)	(1,630)
	8,777	9,315
Total Other Assets	8,778	9,316

NOTE 15: TRADE AND OTHER PAYABLES (CURRENT)

Unsecured:		
Trade creditors	8,056	7,710
Goods & services tax payable	(607)	1,166
Dividends payable	61	64
Other creditors and accrued expenses	7,767	17,601
	15,277	26,541

NOTE 16: PROVISIONS (CURRENT)

Employee entitlements	1,705	1,470
	1,705	1,470

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

31-Mar-13 **30-Jun-12**
\$'000 **\$'000**

NOTE 17: FINANCIAL LIABILITIES (CURRENT)

Secured:

Hire purchase liability

	14	13
	14	13

NOTE 18: UNEARNED INCOME (CURRENT)

Unearned income

	1,734	2,969
	1,734	2,969

NOTE 19: FINANCIAL LIABILITIES (NON CURRENT)

Secured:

Hire purchase liability

11% Senior Secured Notes

	28	39
	144,023	146,451
	144,051	146,490

NOTE 20: UNEARNED INCOME (NON CURRENT)

Unearned Income

	2,759	2,354
	2,759	2,354

NOTE 21: ISSUED CAPITAL

Issued ordinary fully paid with no par value

279,621,829 (30.06.12: 279,621,829)

	117,760	117,760
	117,760	117,760

31-Mar-13 **30-Jun-12**
No. **No.**

Ordinary shares

At beginning of the period

Shares issued during the period

- 4 November 2011

At reporting date

	279,621,829	276,453,042
	-	3,168,787
	279,621,829	279,621,829

(a) Capital management

Management controls the capital of the Group in order to maintain a good 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 net debt and capital includes 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 share holders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior period. The gearing ratio's for the current period and previous year end are as follows.

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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013

NOTE 21: ISSUED CAPITAL (Continued)

	31-Mar-13	30-Jun-12
	\$'000	\$'000
Total borrowings	144,065	146,503
Less: Cash and cash equivalents	(38,190)	(55,124)
Escrow accounts linked to borrowings	-	(1)
Net debt/(Cash)	<u>105,875</u>	<u>91,378</u>
Total equity	<u>272,370</u>	<u>268,890</u>
Total capital	<u><u>378,245</u></u>	<u><u>360,268</u></u>
Gearing ratio	27.99%	25.36%

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

	NOTE	31-Mar-13 \$'000	30-Jun-12 \$'000
NOTE 22: CASH FLOW INFORMATION			
(i) Reconciliation of cash			
Cash balance comprises:			
Cash at bank		38,185	55,120
Cash on hand		5	4
Cash balance as per statement of financial position		38,190	55,124
Less: Overdraft		-	-
Cash balance as per statement of cash flows		38,190	55,124
		31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000
(ii) Reconciliation of operating profit after income tax to the net cash flow provided by operating activities.			
Operating profit / (loss) after income tax		3,480	15,480
Cashflows excluded from profit attributable to operating activities:			
Depreciation and amortisation		3,379	3,486
Share of net profits from associates		(101)	(117)
Unearned Forex Profit relating to Investments/Borrowings		(2,428)	3,341
Net cash provided by operating activities before change in assets and liabilities		4,330	22,190
Changes in operating assets and liabilities:			
Provision for taxation increase / (decrease)		(12,173)	(2,056)
Provision for impairment increase / (decrease)		2,871	2,189
Provision for deferred taxation increase / (decrease)		9,020	6,327
Future taxation benefit (increase) / decrease		3,186	1,455
(Profit) / loss on sale of fixed assets		65	39
(Profit) / loss on sale of investments		85	22
(Increase) / decrease in trade debtors		23,900	(38,455)
(Increase) / decrease in prepayments		611	295
(Increase) / decrease in accrued income receivable		(11,243)	(12,060)
(Increase) / decrease in grower loans		8,620	2,670
(Increase) / decrease in inventories		(10,144)	(36,089)
(Increase) / decrease in sandalwood tree market value		(17,933)	(7,955)
(Increase) / decrease in gain on settlement of trade debtor	26	-	(9,005)
Increase / (decrease) in trade creditors and provisions		(11,026)	(619)
Increase / (decrease) in unearned income		(829)	10,735
Net cash flow from operating activities		(10,660)	(60,317)

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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013

NOTE 23: 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 diversification of 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.

Types of products and services by segment

(i) *Plantation Management*

The plantation management segment is firstly responsible for the promotion and sales of Indian Sandalwood lots to investors, also called growers.

Secondly, this segment is responsible for the establishment, maintenance and harvesting of Indian Sandalwood plantations on behalf of the growers and group owned plantations.

Thirdly, this segment is responsible for end market research and the establishment of end market agreements.

Significant plant & equipment, including tractors, motor vehicle and irrigation infrastructure form the basis for the operating assets in this segment.

(ii) *Finance*

The segment is responsible for providing finance to growers to purchase Sandalwood lots. This finance can either be via in house or by arranging external finance.

(iii) *Sandalwood Products*

This segment, which includes the 100% owned subsidiary Mt Romance Holdings Pty Ltd is responsible for the manufacture of Sandalwood Oil and products for resale both domestic and internationally.

(iv) *Agriculture*

This segment is responsible for all the farming activities of the group, other than forestry related activities.

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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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
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NOTE 23: OPERATING SEGMENTS (Continued)

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is reviewed on an ongoing basis and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to the plantation management division, unless it can be assigned to a specific segment other than plantation management. The Board of Directors believe this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received. These inter-segment loans are revolving facility with no fixed terms, interests free and repayable in full when the borrower is in a financial position to effect this.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have been allocated to an operating segment.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities relating to the Group as a whole are allocated to the plantation management segment unless it can be assigned to a specific segment other than plantation management. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated Items

Currently the group has no unallocated items.

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
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NOTE 23: SEGMENT INFORMATION (Continued)

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

Primary Reporting in Business Segments.

Industry Segments	Plantation Management		Finance		Sandalwood products		Agriculture		Consolidation	
	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000	31-Mar-13 9 mths \$'000	31-Mar-12 9 mths \$'000
<i>Revenue (all relate to external sales)</i>										
Establishment Fees	1,140	25,993	-	-	-	-	-	-	1,140	25,993
Lease & management Fees	12,201	9,843	-	-	-	-	-	-	12,201	9,843
Product sales	-	-	-	-	11,799	11,508	-	-	11,799	11,508
Sales of agriculture produce	-	-	-	-	-	-	-	961	-	961
Interest - External	1,512	2,296	3,297	3,709	-	-	-	-	4,809	6,005
Other - External	1,807	1,560	-	-	-	-	-	-	1,807	1,560
Other - Internal	-	-	-	-	439	-	-	-	439	-
Total segment revenue (Cash*)	16,660	39,692	3,297	3,709	12,238	11,508	-	961	32,195	55,870
<i>Operating revenue (Non-Cash*)</i>										
Accrued income recognition	12,824	12,060	-	-	-	-	-	-	12,824	12,060
Gain on revaluation of plantation	17,933	7,955	-	-	-	-	-	-	17,933	7,955
Gain on Settlement of trade debtor	-	9,005	-	-	-	-	-	-	-	9,005
Total segment revenue (Non-Cash*)	30,757	29,020	-	-	-	-	-	-	30,757	29,020
Total segment revenue	47,417	68,712	3,297	3,709	12,238	11,508	-	961	62,952	84,890
<i>Reconciliation of segment revenue to group revenue</i>										
Inter segment revenue									(439)	-
Unallocated revenue									-	-
Total group revenue from ordinary activities									62,513	84,890

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

NOTE 23: SEGMENT INFORMATION (Continued)

Industry Segments	Plantation Management		Finance		Sandalwood products		Agriculture		Consolidation	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000	9 mths \$'000
Result										
Earnings before interest, tax, dep'n and amort'n (EBITDA) - Cash*	(17,075)	9,093	3,362	3,431	1,098	2,108	(8)	806	(12,623)	15,438
(EBITDA) - Non-Cash*	31,408	23,869							31,408	23,869
Inter segment earnings - Contributing to EBITDA	-	-			439				439	-
(EBITDA) - Total	14,333	32,962	3,362	3,431	1,537	2,108	(8)	806	19,224	39,307
<i>Reconciliation of segment EBITDA to group EBITDA.</i>										
Inter segment revenue									(439)	-
Unallocated revenue									-	-
Total group EBITDA									18,785	39,307
Segment result before income tax	578	19,128	3,288	3,441	1,074	1,560	(8)	806	4,932	24,935
<i>Reconciliation of segment result to group net profit before tax.</i>										
Inter segment revenue									(439)	-
Amounts not included in segment results but reviewed by board.									-	-
Unallocated expenses									-	-
Share of net profits of associates									101	117
Net profit before tax from continued operations									4,594	25,052

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**NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013**

NOTE 23: SEGMENT INFORMATION (Continued)

Industry Segments	Plantation Management		Finance		Sandalwood products		Agriculture		Consolidation	
	31-Mar-13 \$'000	30-Jun-12 \$'000	31-Mar-13 \$'000	30-Jun-12 \$'000	31-Mar-13 \$'000	30-Jun-12 \$'000	31-Mar-13 \$'000	30-Jun-12 \$'000	31-Mar-13 \$'000	30-Jun-12 \$'000
<i>Segment Assets</i>										
Segment Assets	460,225	467,365	49,812	58,627	34,210	31,418	-	124	544,247	557,534
Segment increases for the period:										
Capital expenditure	1,205	6,297	-	-	-	-	-	-	1,205	6,297
Acquisitions	6,989	3,284	-	-	654	883	-	-	7,643	4,167
	8,194	9,581	-	-	654	883	-	-	8,848	10,464
<i>Reconciliation of segment assets to group assets</i>										
Inter-segment eliminations									(54,384)	(65,679)
Unallocated assets									-	-
Total group assets from continuing operations									489,863	491,855
<i>Segment Liabilities</i>										
Segment Liabilities	215,122	221,540	33,505	45,604	13,990	12,224	5	21	262,622	279,389
<i>Reconciliation of segment liabilities to group liabilities</i>										
Inter-segment eliminations									(45,129)	(56,424)
Unallocated liabilities									-	-
Total group liabilities from continuing operations									217,493	222,965

Major Customers

The Group has a number of customers to whom it provides both products and services, with the biggest contributing 7.20% to the Group's external revenue.

The next most significant customer accounts for 5.17% of external revenue.

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	31-Mar-13	31-Mar-12
	9 mths	9 mths
	\$'000	\$'000
NOTE 24: EARNINGS PER SHARE		
Earnings used in calculating basic and diluted earnings per share.	3,480	15,480
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	279,622	278,158
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.	279,622	278,158
NOTE 25: DIVIDENDS		
<i>Dividends paid</i>		
No dividend was paid for the period ended 31.03.13 (2012: Final fully franked dividend of 3.5 cents per share - paid 04.11.11)	-	9,676
	-	9,676
	<hr/>	<hr/>
NOTE 26: GAIN ON SETTLEMENT OF TRADE DEBTOR		
Defaulted debt over 304.07 hectares		
- Land, Kingston Rest Lot 3	-	4,430
- Plantation establishment fee (Excluding GST)	-	14,695
	-	19,125
	<hr/>	<hr/>
Fair value of assets taken back		
- Land, Kingston Rest Lot 3	-	3,404
- Plantation	-	24,725
	-	28,130
	<hr/>	<hr/>
Gain realised on settlement of trade debtor	-	9,005
	<hr/>	<hr/>

NOTE 27: SUBSEQUENT EVENTS

Subsequent to 31 March 2013 the Group entered into an agreement to acquire the remaining 51% of Gulf Natural Supply Co (an associated company - see Note 13) for AED 1,100,000 (UAE Dirham), with the final settlement scheduled to be on 31 May 2013. The final Australian Dollar settlement amount will be approximately AU\$290,000.

On 30 April 2013 the Group sold a portfolio of MIS loans (Loans to growers as per notes 3 and 7) for which the Group received cash proceeds of approximately \$22.4m. In addition, as part of the transaction, the Group has agreed to continue to manage the Sale Portfolio on behalf of the acquirer for an ongoing management fee. The transaction was undertaken at a discount to the face value of the loan portfolio and will result in a reduction to after-tax, non-cash earnings of approximately \$2.5 million.

Apart from the above no other events have occurred since 31 March 2013 which have or may significantly affect the Group's future operations, results of operations or state of affairs.

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NOTES TO AND FORMING PART OF THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2013

NOTE 28: CONTINGENT LIABILITIES

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

NOTE 28: SEASONAL OPERATIONS

TFS's major business activity is the promotion of Indian Sandalwood through either Managed Investment Schemes ("MIS") or wholesale to Institutional Investors. The nature of the MIS/wholesale industry determines that a significant percentage of new sales occur in the latter 6 months of the financial year. Accordingly the financial statements for the 9 months will not be an accurate indicator of the full year performance.

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DIRECTORS' DECLARATION

The directors of the company declare that:-

1. The attached financial statements and notes, as set out on pages 3 to 20 :
 - (a) have been prepared in accordance with applicable Australian Accounting Standards; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 March 2013 and the performance for the 9 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:

On behalf of the Directors



Frank Wilson – Chairman of the Board

Dated this 31st day of May 2013.