



## **ASX RELEASE**

### **TFS BOOKS 44% NPAT INCREASE**

#### **Highlights**

- TFS has booked net profit after tax of \$34.83 million, a 44.3 per cent increase on the prior year.
- Final dividend for 2009 maintained at 3 cents, reflecting strong performance of TFS business model against other MIS peers.
- TFS is well advanced in attracting further non MIS inflows through its institutional investment vehicle, Beyond Carbon, following the initial \$50 million of non MIS plantation investment announced on 1 July 2009.
- Success of Beyond Carbon means TFS can substantially reduce reliance on MIS investment in 2010 and beyond.
- EIG Joint Venture progressing to plan with joint venture company Gulf Natural Supply (GNS) established – GNS has commenced feasibility on the manufacture and distribution of pan/mouth freshener products in the Middle East, North Africa (MENA) and the sub continent (estimated market size of \$15 billion per annum) using natural sandalwood oil.
- TFS has commenced exclusive due diligence on approximately 8000 hectares of prime agricultural land in the Ord region of Western Australia, on the Carlton Plains Property currently owned by Consolidated Pastoral Company (CPC). CPC has granted TFS the first right of refusal to lease or purchase the freehold property if in the discretion of CPC it wishes to lease or sell the property within 12 months of due diligence being completed.
- Ex Australian Test Vice Captain, Adam Gilchrist, has agreed to become the Ambassador for TFS group globally, and to promote TFS Sandalwood based products in the high growth sub-continent countries

#### **FY09 Results**

Sandalwood grower and processor, TFS corporation (ASX:TFC) today announced a net profit after tax of \$34.38 million, a 44.3 per cent increase on the prior year. The result is after retrospectively applying a change to how the company recognises its revenue for book purposes. The company has also maintained its final dividend of 3.0 cents, payable on 22 December 2009, reflecting the resilience of TFS's business during a difficult 12 months for the industry, and the robust growth outlook for the company.

TFS's reported earnings included 1027.5 hectares of plantation sales up 26 per cent on FY08 (813 hectares). MIS sales of 677.5 hectares were down 17 per cent on the prior year, and as announced on 1 July, non- MIS plantation sales (Beyond Carbon) of 350 hectares were recorded for the first time.

RESULTS TABLE FOR YEAR END 30 JUNE 2009

Year Ended 30 June	2008 \$m	2009 \$m	Change
Revenue	63.5	94.9	+49%
'Cash' EBITDA	30.6	36.9	+21%
Total EBITDA	37.2	53.5	+44%
'Cash' Net Profit after tax	19.5	23.3	+19%
Total Net Profit after tax	24.1	34.9	+44%
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'Cash' earnings per share (diluted)	10.6	12.2	+16%
Total earnings per share (diluted)	13.1	18.3	+40%
Dividends per share (full year)	4.0	4.25	+6%
MIS product sales (Ha)	813.7	677.5	-17%
Institutional sales (Ha)	0	350.0	New
Total sales (Ha)	813.7	1027.5	26%

**NOTE: This financial summary provided above is based on the new accounting policy adopted for 30 June 2009 and applied retrospectively to the prior years. Accordingly prior year comparatives may differ to those previously reported. For illustrative purposes, an attachment has been provided showing how the results would have looked under the previous accounting policy**

CPC

TFS also announced today it had entered an agreement with CPC, to conduct exclusive due diligence on approximately 8000 hectares of prime agricultural land in The Ord on the Carlton Plains Property. Under the agreement CPC has granted TFS the first right of refusal to lease or purchase the freehold property if in the discretion of CPC it wishes to lease or sell the property within 12 months of due diligence being completed.

The land is approximately 25 kilometres from TFS's current ORIA sandalwood plantations. Extensive due diligence will be conducted including mapping, soil testing, engineering design and water applications to determine whether the proposed site would be suitable for the long-term land requirements of the company for non-MIS institutional investment in its plantations.

Executive Chairman of TFS, Mr Frank Wilson said "The reason we are negotiating with CPC is due to the institutional interest and early success of Beyond Carbon.

"As reflected in this year's result, TFS is rapidly moving away from year-on-year reliance on MIS sales, and CPC's high quality land would under-pin future planting requirements, allowing the company to push the accelerator on attracting further institutional investment.

"Should we proceed with CPC, TFS would more than double its land size, and there would be important synergies available due to the proximity of our existing plantations in The Ord.

"We are also well advanced on attracting further offshore institutional inflows, following the initial \$50 million announced in June," he said.

## EIG Joint Venture

The recent joint venture agreement with Emirates Investment Group established the Beyond Carbon Trust and continues to attract institutional investment in TFS's Santalum Album plantations in The Ord.

The JV is also designed to increase the global distribution of TFS's sandalwood products, and to open up new value added markets in areas with a strong demand for retail products containing sandalwood oil. The JV partners, through GNS have commenced feasibility on the production and distribution of sandalwood based pan/mouth freshener products in MENA and the sub continent. Analysis to date suggests the market for these products on the sub continent alone is in excess of \$15 billion per annum with a strong demand for products containing natural sandalwood oil, particularly the highly sought after Santalum Album oil.

## Adam Gilchrist

TFS also announced today that Ex Australian Vice Captain and current captain of reigning IPL champions, Deccan chargers, Adam Gilchrist, has agreed to become the ambassador globally for the TFS Group.

Mr Gilchrist, who is a foundation TFS shareholder and grower, will help promote all TFS, MRA and GNS sandalwood products in the lucrative and high growth sub continent countries.

Mr Wilson said; "We are delighted to have Adam on board, and his high profile on the sub continent is ideal for our consumer product marketing push with our JV partners at EIG.

"The JV is opening up new value add end markets for TFS's sandalwood products and is a solid platform for expanding our vertically integrated business."

## Mount Romance

Mount Romance Australia (MRA) EBITDA for the full year of \$3.57 million was 30 per cent down on earlier forecasts predominantly due to the deferral of sales to the major customer, following softer global conditions in the French perfumery industry. This compares to a first half (adjusted) EBITDA of \$2.1 million in the period 24 July to 31 December 2008.

With global conditions improving the outlook for MRA is stronger, and TFS has recently negotiated with the major customer for the additional supply of 8 tonnes of sandalwood oil for 2010 and 2011, further strengthening MRA's market position.

The acquisition of Mount Romance in July 2008 has enabled TFS to become a leading vertically integrated producer and distributor of Sandalwood oil and has been the catalyst for its success in creating the EIG joint venture and the Beyond Carbon project.

## MIS

The TFS sandalwood project 2009 was a strong performer in a very difficult environment following the collapse of Timbercorp and Great Southern. TFS believes that this result and the strong returns to investors will drive future MIS demand for its sandalwood projects.

## Outlook

The Company believes the outlook for Indian sandalwood prices is positive, driven by high demand, diminishing global supply, and an overall worldwide trend towards sustainable natural products. Demand has been underpinned by the relative strength of the Indian economy and the growing Indian middle class.

The success of TFS to date, and more importantly its future growth plans, has been reflected in its strong plantation sales despite an unprecedented MIS industry down-turn.

TFS's priority is to continue driving future investment from non-MIS institutional interest through Beyond Carbon, and its joint venture with EIG. As a result MIS investment is expected to be further diluted in FY10 and beyond. TFS will continue to offer a more limited MIS project to key alliance partners in the financial planning industry, but views a move away from reliance on MIS as a natural progression of TFS's successful business model.

This reflects the company's objective of becoming a stand-alone, vertically integrated sandalwood business with a unique position in the world as the largest grower, processor, manufacturer and distributor of sandalwood based products.

As TFS and its JV partner EIG continue to explore opportunities in MENA and the sub continent, the increased size and depth of the market for Santalum Album oil is becoming increasingly apparent, together with the opportunities that exist for further earnings growth from the manufacture and distribution of sandalwood based consumer products to MENA and the sub continent.

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

**ATTACHMENT 'A' TO APPENDIX 4E**  
**SUMMARY OF RESULTS USING PREVIOUS ACCOUNTING METHOD**

The figures below represent a summary of the results for the TFS Corporation ltd group if the directors had not chosen to change its revenue recognition policy. These are for illustrative purposes only.

				<b>ECONOMIC ENTITY</b>	
	<b>Percentage Change</b>			<b>2009</b>	<b>2008</b>
				<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>					
<i>Revenue (Cash*)</i>					
Revenue from new MIS' sales	Down	14.4%	to	46,566	54,389
Revenue from new 'institutional' sales	New			17,500	-
Revenue from recurring fees	Up	18.1%	to	3,613	3,060
Revenue from product sales	New			11,299	-
Interest revenue	Down	16.3%	to	1,927	2,302
Other revenue	Down	36.1%		1,264	1,977
<i>Revenue (Non-Cash*)</i>					
Revenue from recognition of deferred fees	Up	85.7%	to	8,494	4,574
Biological assets revenue	Up	287.3%	to	8,009	2,068
<b>Total Revenue from ordinary activities</b>	<b>Up</b>	<b>44.3%</b>	<b>to</b>	<b>98,671</b>	<b>68,369</b>
<b>EBITDA</b>					
Cash EBITDA	Up	13.1%	to	40,169	35,501
Non Cash EBITDA	Up	148.5%	to	16,503	6,642
<b>TOTAL EBITDA</b>	<b>Up</b>	<b>34.5%</b>	<b>to</b>	<b>56,671</b>	<b>42,142</b>
<b>Net Profit After Tax</b>					
Net Profit/(Loss) After Tax (Cash*)	Up	11.2%	to	25,511	22,932
Net Profit/(Loss) After Tax (Non Cash*)	Up	148.5%	to	11,552	4,649
<b>Net profit from ordinary activities after tax</b>	<b>Up</b>	<b>34.4%</b>	<b>to</b>	<b>37,063</b>	<b>27,581</b>
<b>MIS Product Sold</b>					
Hectares of MIS Product Sold	Down	16.7%	to	677.5	813.7
Hectares of wholesale product sold	New			350.0	0.0
	Up	26.3%	to	1027.5	813.7
<b>Earnings Per Share</b>				<b>2009</b>	<b>2008</b>
				<b>(cents)</b>	<b>(cents)</b>
Basic EPS	Up	30.9%	to	19.58	14.96
Diluted EPS	Up	30.2%	to	19.47	14.96
Cash* Diluted EPS	Up	8.6%	to	13.48	12.41
<b>Net Tangible Assets per Share</b>				<b>2009</b>	<b>2008</b>
				<b>(cents)</b>	<b>(cents)</b>
Net tangible asset backing per ordinary share	Up	9.2%	to	66.18	60.60

## About TFS Corporation Ltd

TFS Corporation Ltd (ASX: TFC) is an owner and manager of Indian sandalwood plantations in the east Kimberley region of Western Australia. As part of its vision to be a vertically integrated producer of finished sandalwood products, TFS owns a significant proportion of the plantations in its own right and in 2008 acquired Mount Romance Australia (Mount Romance), the Albany-based sandalwood processor and oil distributor.

TFS was founded in 1997 to exploit the success of government trials into the plantation growth of Indian sandalwood in the Ord River Irrigation Area (ORIA) of north-east Western Australia.

TFS's first planting was in 1999 and it now manages the largest area of Indian sandalwood plantation in the world, with 1,750 hectares planted in the ORIA. The majority of the TFS plantations are managed on behalf of investors in Managed Investment Schemes regulated by ASIC and the ATO.

TFS has a land bank of over 4,000 hectares for future sandalwood plantings in the ORIA and at its Kingston Rest property 65 kilometres south of the ORIA.

The company listed on the Australian Stock Exchange in December 2004 and is currently capitalised at over \$200 million.

TFS is committed to adopting and maintaining the highest environmental and ethical standards in all aspects of its business. All plantations are grown on land that has previously been used for agricultural or horticultural production. As the first ORIA land owner to recycle its water, TFS was the winner of the 2006 State Regional Water Award. TFS was recently ranked as an industry leader in ethical and sustainable practices by Oekom Research, a leading international ratings agency.

## About Indian Sandalwood

Indian sandalwood has a history as a tradeable commodity spanning thousands of years, but is now endangered due to the illegal harvest of wild trees throughout the world. As a result, Indian sandalwood is the world's most expensive tropical hardwood and continues to increase in price each year. Its heartwood currently trades for in excess of A\$100,000 per tonne on average, having risen at a compounding rate of over 21% per annum over the past 17 years.

Indian sandalwood is a globally important ingredient in fine fragrances, cosmetics and toiletries, incense sticks, high quality carvings and for medicinal purposes (aromatherapy and Chinese medicine). Indian sandalwood has a well entrenched market throughout the world. This is particularly so in India and China, which are two of the fastest growing economies in the world.

## Overview of Mount Romance

Mount Romance was established in 1993 and, following conclusion of a long term contract with the Western Australian government for the supply of raw material, has become an internationally recognised producer of high quality Australian sandalwood (*Santalum spicatum*) oil and by-products. Mt Romance supplies oil to leading global fine fragrance brands in Europe and North America.

