

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

APPENDIX 4D

**Half Year Financial Report
For the period ended 31 December 2008**

TFS CORPORATION LTD
(ABN: 97 092 200 854)

APPENDIX 4D
HALF YEAR FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2008

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TFS CORPORATION LTD
(ABN: 97 092 200 854)

**RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Current reporting period Half Year ended 31 December 2008

Previous corresponding period Half Year ended 31 December 2007

				ECONOMIC ENTITY	
				31-Dec-08	31-Dec-07
	Percentage Change			6 Mth	6 Mth
				\$	\$
Revenue					
Revenue (Cash*)					
Revenue from new sales	Down	100.0%	to	-	8,286,000
Revenue from recurring fees	Up	10.9%	to	1,128,640	1,017,818
Revenue from product sales	New			5,696,679	-
Interest revenue	Down	18.1%	to	1,175,724	1,435,999
Other revenue	Down	38.4%		627,155	1,017,718
Revenue (Non-Cash*)					
Revenue from recognition of deferred fees	Up	82.4%	to	5,218,732	2,861,025
Biological assets revenue	Up	1734.5%	to	10,675,852	581,964
Total Revenue from ordinary activities	Up	61.3%	to	<u>24,522,782</u>	<u>15,200,524</u>
EBITDA					
Cash EBITDA	Down	351.5%	to	(5,784,152)	2,299,812
Non Cash EBITDA	Up	361.7%	to	15,894,584	3,442,989
TOTAL EBITDA	Up	76.1%	to	<u>10,110,432</u>	<u>5,742,801</u>
Net Profit After Tax					
Net Profit/(Loss) After Tax (Cash*)	Down	953.5%	to	(5,968,690)	699,286
Net Profit/(Loss) After Tax (Non Cash*)	Up	361.7%	to	11,126,209	2,410,092
Net profit from ordinary activities after tax	Up	65.9%	to	<u>5,157,519</u>	<u>3,109,378</u>
MIS Product Sold					
Hectares of MIS Product Sold	Down	100.0%	to	0.0	128.0
Earnings Per Share					
				31-Dec-08	31-Dec-07
				6 Mth	6 Mth
				(cents)	(cents)
Basic EPS	Up	61.5%	to	2.74	1.70
Diluted EPS	Up	61.5%	to	2.74	1.70
Cash* Diluted EPS	Down		to	-3.16	0.38
Net Tangible Assets per Share					
				31-Dec-08	30-Jun-08
				(cents)	(cents)
Net tangible asset backing per ordinary share	Down	17.1%	to	50.21	60.60

TFS CORPORATION LTD
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**RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Dividends

	Amount per share (cents)	Franked amount per share (cents)
Final Dividend ('08) - paid	3.00	3.00
Interim Dividend ('09) - declared	1.25	1.25
Total dividends paid / declared	4.25	4.25

	Record date	Payment date
Final dividend	5-Jun-09	19-Jun-09
Last date for receipt of Dividend Reinvestment Plan participation notice	5-Jun-09	

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).

Commentary on Results and Sales Targets

The Directors of TFS Corporation Ltd (TFS) announced that the consolidated net profit after providing for income tax of the economic entity for the half year ended 31 December 2008 amounted to \$5,157,519 (2007: \$3,109,378), an increase of 65.9%.

The increase in profit largely reflects higher 'non cash' revenue from an increase in the sandalwood tree valuation and the recognition of revenue from deferred fees. There was no revenue from new managed investment scheme ("MIS") sales for the period (2007: \$8,286,000) as at that time the company was yet to receive its product ruling from the Australian Taxation Office ("ATO"). Also, due to the change in tax regime for forestry MIS's the company was unable to keep its 2008 Indian Sandalwood project open beyond 30 June 2008.

The company is able to advise however that a ruling has been received from the ATO in respect of the TFS Indian Sandalwood Project 2009 and will be gazetted on March 4 2009. Accordingly, as with most years the vast majority of company earnings will be recognised in the second half of the year.

The profit for the period also takes into account the earnings from the Mt Romance operations which were acquired on 24 July 2008. The half year results therefore include all earnings from that operation for the period 24 July 2008 to 31 December 2008. Revenue earned specifically from the Mt Romance operations during the period of ownership amounted to \$5,696,679. This resulted in an EBITDA contribution of \$2.1m for this period. The Mt Romance result is slightly up on the corresponding period for to 31 December 2007.

Total revenue for the period was \$24,522,782 (2007: \$15,200,524) of which \$10,675,852 (2007: \$557,434) related to the gain recognised on revaluation of the portion of the company's sandalwood tree plantation and other biological assets that TFS owns in its own right. The after tax impact of the tree revaluation on the net profit of the company was \$7,473,096 (2007:\$390,204). The tree revaluation was positively impacted compared to the corresponding period by the decrease in the Australian dollar against the US dollar. Revenue for the half year also includes \$5,218,732 (2007: \$2,861,025) in respect of fees earned during the period but yet to be invoiced in connection with the company's deferred lease and management fee products. The after tax impact of this required revenue recognition policy on the half year net profit of the company was \$3,653,112 (2007:\$2,002,718).

TFS CORPORATION LTD
(ABN: 97 092 200 854)

RESULTS FOR ANNOUNCEMENT TO MARKET
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Commentary Cont

The product disclosure statement ("PDS") for the new TFS Indian Sandalwood Project 2009 makes provision for total sales of 950 hectares. Having assessed the company's ability to meet sales, production and planting targets, the company is confident of selling at least the 930 hectares by 30 June 2009. The company may issue a supplementary PDS and ATO Product Ruling if investor demand for the 2009 PDS exceeds 950 hectares.

Total operating costs (excluding amortisation depreciation and financing costs) for the company increased by 29.2% when compared to the corresponding half year period. This reflects the continued increase in the scale of the group's land preparation, planting and land maintenance activities, and is a consequence of the progressive increase in plantation acreage under management and in grower lot sales. Additional land lease costs have also been expensed in line with our recent land procurement activities.

The operational cost totals also reflected the expenses of the Mt Romance operations which were not undertaken in the corresponding period. If we were to remove the operating costs for Mt Romance then the other operational costs increased by 16.9%

Dividend

Based on the company's positive cash earnings outlook for the full year to 30 June 2009, TFS is pleased to announce a fully franked interim dividend of 1.25 cents per share (FY08: 1.0 cent), payable on 19 June 2009 a rise of 0.25c per share.

Mt Romance

Mt Romance produced an EBITDA of \$2.3m for the full 6 month period to 31 December 2008 which when adjusted for the period 24 July 2008 to Dec 31 2008 (period of TFS ownership) produced an EBITDA of \$2.1m. Mt Romance has recently secured a new 3 year contract with leading world fragrance ingredients house Givaudan for approximately 20% of its annual oil production at pricing similar to its current contract which was to expire in June 2009.

Loan Book

TFS is in the process of negotiating for a sale of part of its remaining loan book. It is anticipated that this transaction will be able to be completed in the last quarter of the 30 June 2009 financial year and realize between \$4.5m to \$5m in cash.

Land Bank

TFS has recently entered into a contract to acquire a commercial site in Kununurra for approximately \$1.6m. The site has substantial improvements including a shop front, showroom and machinery service sheds. The site will be used for the future Mt Romance showroom and tourism facility in Kununurra, and will also be the main machinery service site for TFS plant and equipment.

After taking into account the allocation of land for planting in the 2009 planting season the company will retain a bank of suitable land for Indian sandalwood plantations of approximately 3,100 hectares. The company continues to actively pursue other land acquisition and/or lease opportunities in order to continue to grow its available land bank.

2009 Outlook and Forecast

Due to the company's extensive land bank, the expansion of the nursery infrastructure and human resource capability in Kununurra, and the size of the global market of Indian sandalwood products, TFS is in a position to significantly increase its MIS sales and plantations in future years. TFS believes that it can achieve these results despite the subdued global economic position because of a continuing strong demand for sandalwood based products globally, and increasing demand for its MIS product as the supply of MIS product from other sources diminish.

The company is forecasting total sales of at least 930 hectares this financial year, representing a 14.3% increase over the 813.7 hectares sold in FY08. The company maintains the guidance given at its November 2008 AGM that full year net 'cash' profit after tax is expected to increase by at least 15% on the \$22.9m reported in FY08. The full year total net profit after tax is also expected to increase by a similar proportion however the estimated tree valuation increment will be impacted by exchange rate and sandalwood price factors outside the company's control.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

DIRECTORS' REPORT

Your Directors present the financial report of the economic entity for the half year ended 31 December 2008.

DIRECTORS

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

Mr Frank Cullity Wilson
Mr Ronald Lionel Eacott
Mr Blake William Myles
Mr Ian Mackenzie Murchison
Mr Ian Ross Thompson
Mr Timothy Croot

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

DIVIDENDS PAID

Dividends paid or declared for payment are as follows:

Final ordinary dividend of 3.0 cents per share (100% franked) paid in November 2008	\$5,649,813
Interim ordinary dividend of 1.25 cents per share (100% franked) recommended by directors	\$2,366,385

PRINCIPAL ACTIVITIES

The principal activities during the half year of entities within the economic entity were:

- Promotion of sandalwood managed investment schemes,
- Management and maintenance of sandalwood plantations,
- Manufacture and wholesale distribution of Australian sandalwood oil and related products,
- Ownership and leasing of land,
- Ownership of sandalwood plantations,
- Provision of finance; and

During the period TFS acquired the Mt Romance Holdings Ltd group. As a result, the economic entity now carries on an additional activity of manufacture and wholesale distribution of Australian sandalwood oil and related products. Other than this, there have been no other significant changes in the nature of activities undertaken during the period.

REVIEW OF OPERATIONS

Operating Results

The consolidated net profit of the economic entity for the half year after providing for income tax amounted to \$5,157,519 (2007: \$3,109,378). This represents half year earnings of 2.74 cents per share (2007: 1.80 cents).

The total revenues for the period were \$24,522,782 (2007: \$15,200,524) of which \$10,675,852 (2007: \$557,434) related to the gain recognised on revaluation of the portion of the company's sandalwood tree plantation and other biological assets that TFS owns in its own right. The after tax impact of the tree revaluation on the net profit of the company was \$7,473,096 (2007:\$390,204). The tree revaluation was positively impacted compared to the corresponding period by the decrease in the Australian dollar against the US dollar. Revenue for the half year also includes \$5,218,732 (2007: \$2,861,025) in respect of fees earned during the period but yet to be invoiced in connection with the company's deferred lease and management fee products. The after tax impact of this revenue recognition policy on the half year net profit of the company was \$3,653,112. (2007:\$2,002,718).

Promotion of Agricultural Projects and Managed Investment Schemes

There was no revenue from new managed investment scheme ("MIS") sales for the period (2007: \$8,286,000) as at that time the company was yet to receive its product ruling from the Australian Taxation Office ("ATO"). Also, due to the change in tax regime for forestry MIS's the company was unable to keep its 2008 Indian Sandalwood project open beyond 30 June 2008.

TFS CORPORATION LTD
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DIRECTORS REPORT CONT'D

Manufacture and Wholesale Distribution of Australian sandalwood oil and related products

The Mt Romance business was acquired in July 2008. The Mt Romance group is in the business of manufacture and wholesale distribution of Australian sandalwood oil and related product to the international market. The half year result for Mt Romance which contributed \$2.1m to EBITDA was pleasing given the subdued global economic conditions, and was slightly up on the corresponding period to 31 December 2007.

Management and Maintenance of Plantations

The trees in each of the plantations are growing well with no major concerns. Recent plantation establishment programs have resulted in vary high initial survival rates. Maintenance of the company's plantations is conducted in accordance with a detailed management plan. As previously advised, sample testing of 8 year old trees indicates that heartwood development places the plantations on track to meet predicted oil yields. Further yield testing is continually being performed.

Ownership of Land

The group did not acquire any new property during the period (other than that acquired as part of the Mt Romance acquisition). The company was able to secure some additional leasehold interests and continues to pursue a number of other opportunities to acquire of lease land in or around the Kununurra Ord River Irrigation Area.

Subsequent to the end of the period the company acquired the Rogers Machinery showroom and service centre in Kununurra which will be used to service TFS plant and machinery and will be the site for the future Mt Romance showroom and tourism facility in Kununurra.

Provision of Finance

Arwon Finance Pty Ltd is a provider of finance, with the major focus being the provision of finance to persons investing in agricultural projects promoted and managed by the company. Arwon also continues to manage a loan portfolio that is owned by a subsidiary of the Commonwealth Bank of Australia.

Ownership of Indian Sandalwood Plantations

In addition to managing and maintaining sandalwood plantations on behalf of investors in the MIS, TFS has continued to increase its own investment in sandalwood plantations and expects to derive long term value from this investment. TFS is also earning a deferred interest in many of the grower lots from those investors who have chosen or contracted to defer the payment of their annual lease and management fees.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the half year ended 31 December 2008 has been received and can be found on page 20 of the report.

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

On behalf of the Directors



F.C. Wilson - Director

Dated this 25th day of February 2009.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	NOTE	ECONOMIC ENTITY	
		31-Dec-08 6 Mth \$	31-Dec-07 6 Mth \$
Dividends received		10	-
Revenue	2	13,472,077	14,352,932
Other income		11,066,232	847,592
Changes in inventories of finished goods and work in progress		1,225,274	-
Raw materials and consumables used		(3,666,532)	-
Depreciation and amortisation expenses		(613,062)	(357,460)
Finance Costs		(591,714)	(155,134)
Interest paid		(1,009,458)	(991,414)
Unrealised interest swap gain / (loss)		(17,765)	-
Unrealised foreign exchange gain / (loss)		(660,258)	-
Salaries and employees benefits expense		(5,287,452)	(3,576,005)
Consulting expense		(528,602)	(134,703)
Bad debts (expense) / recovered		(807)	-
Provision for impairment of receivables		(77,691)	(79,868)
Commissions		(50,619)	(833,955)
Marketing Costs		(496,938)	(787,505)
Direct plantation and nursery operations		(1,490,669)	(1,681,222)
Rent / lease costs		(1,291,989)	(320,680)
Water		(223,620)	(128,985)
Repairs & maintenance		(412,012)	(318,828)
Travel and Accomodation		(518,048)	(356,916)
Insurance		(278,155)	(121,731)
Other expenses from ordinary activities		(1,330,028)	(933,744)
Profit/(Loss) before income tax expense		7,218,175	4,422,374
Income tax expense relating to ordinary activities		(2,060,656)	(1,312,996)
Profit/(loss) from continuing operations		5,157,519	3,109,378
Profit from discontinued operations		-	-
Profit for the period		5,157,519	3,109,378
Profit attributable to minority interest		-	-
Profit attributable to members of the parent entity		5,157,519	3,109,378
Earnings per share - Basic (cents per share)	18	2.74	1.70
- Diluted (cents per share)	18	2.74	1.70

The accompanying notes form part of these financial statements

TFS CORPORATION LTD
(ABN: 97 092 200 854)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	NOTE	ECONOMIC ENTITY	
		31-Dec-08	30-Jun-08
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		930,098	16,901,389
Trade and other receivables	3	15,821,346	38,264,714
Inventories	4	5,686,236	822,440
TOTAL CURRENT ASSETS		22,437,680	55,988,543
NON CURRENT ASSETS			
Trade and other receivables	5	18,061,383	13,759,922
Other financial assets	6	4,358,049	3,209,276
Property, plant and equipment	7	66,285,467	58,493,870
Deferred tax assets		714,254	853,618
Biological assets	8	32,646,132	21,988,262
Intangible assets	9	20,252,043	478,000
Other	10	19,164,152	11,936,979
TOTAL NON-CURRENT ASSETS		161,481,480	110,719,927
TOTAL ASSETS		183,919,160	166,708,470
CURRENT LIABILITIES			
Trade and other payables	11	3,721,463	13,087,936
Financial liabilities	13	1,267,759	538,291
Current tax liabilities		5,483,427	7,968,689
Provisions	12	527,483	302,446
Unearned income	14	467,652	467,652
TOTAL CURRENT LIABILITIES		11,467,784	22,365,014
NON CURRENT LIABILITIES			
Financial liabilities	15	33,147,972	11,141,156
Deferred tax liabilities		20,988,376	15,990,713
Unearned income	16	3,000,918	3,241,530
TOTAL NON-CURRENT LIABILITIES		57,137,266	30,373,399
TOTAL LIABILITIES		68,605,050	52,738,413
NET ASSETS		115,314,109	113,970,058
EQUITY			
Issued capital	17	41,501,797	39,665,452
Asset revaluation reserve		14,492,553	14,492,553
Option reserve		478,000	478,000
Retained profit/(loss)		58,841,759	59,334,053
TOTAL EQUITY		115,314,109	113,970,058

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

NOTE	Share Capital \$	Retained Profits \$	Asset Revaluation \$	Option Reserve \$	Total \$
Balance at 1.7.2007	16,889,819	38,222,421	4,013,503	-	59,125,743
Shares issued during the period	20,638,301	-	-	-	20,638,301
Adjustments to opening retained profits	-	1,071	-	-	1,071
Profit for period	-	3,109,378	-	-	3,109,378
Sub-Total	37,528,120	41,332,870	4,013,503	-	82,874,493
Dividends provided for or paid	-	(4,615,502)	-	-	(4,615,502)
Balance at 31.12.2007	37,528,120	36,717,369	4,013,503	-	78,258,992
Balance at 1.7.2008	39,665,452	59,334,053	14,492,553	478,000	113,970,058
Shares issued during the year	1,836,345	-	-	-	1,836,345
Profit for period	-	5,157,519	-	-	5,157,519
Sub-Total	41,501,797	64,491,572	14,492,553	478,000	120,963,922
Dividends provided for or paid	-	(5,649,813)	-	-	(5,649,813)
Balance at 31.12.2008	41,501,797	58,841,759	14,492,553	478,000	115,314,109

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	NOTE	ECONOMIC ENTITY	
		31-Dec-08 6 Mth \$	31-Dec-07 6 Mth \$
CASH FLOWS FROM (USED IN)			
OPERATING ACTIVITIES			
Receipts from operations		31,855,377	24,361,172
Payments to suppliers		(29,642,622)	(15,994,604)
Net (provision)/repayment of loans to/from growers		(4,332,012)	(15,307,732)
Interest received		1,175,724	1,435,999
Dividends received		10	-
Interest paid		(1,009,458)	(991,414)
Income tax paid		(229,258)	(5,817,299)
	18	<u>(2,182,239)</u>	<u>(12,313,878)</u>
CASH FLOWS FROM (USED IN)			
INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		-	20,000
Payments for plant & equipment		(2,238,767)	(440,246)
Payments for investments		(1,208,789)	57,206
Payments for land & buildings		(697,604)	(15,327,639)
Acquisition of subsidiary (net of cash acquired)		(8,279,673)	-
		<u>(12,424,834)</u>	<u>(15,690,679)</u>
CASH FLOWS FROM (USED IN)			
FINANCING ACTIVITIES			
Proceeds from borrowings		29,051,844	15,483,285
Repayments of borrowings		(26,093,680)	(10,842,744)
Net proceeds from securitisation facility		-	(1,920,400)
Net proceeds from issue of shares		0	19,820,184
Dividends paid		(5,002,742)	(4,133,751)
		<u>(2,044,577)</u>	<u>18,406,575</u>
Net increase / (decrease) in cash held		(16,651,650)	(9,597,982)
Cash at beginning of financial year		16,671,414	8,572,781
Cash at end of financial year	18	<u>19,764</u>	<u>(1,025,201)</u>

The accompanying notes form part of these financial statements.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial report covers TFS Corporation Ltd and its controlled entities as an economic entity. TFS Corporation Ltd is a listed public company, incorporated and domiciled in Australia.

Basis of Preparation

The half year report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards; including standard AASB 134: Interim Financial reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It is recommended that this financial report be read in conjunction with the annual financial report for the project in respect of the year ended 30 June 2008, as well as any public announcements made by TFS Corporation Limited during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 30 June 2008 report.

The half-year report does not include the full disclosures of the type normally applied in the 30 June 2008 annual report.

The financial report has been prepared on an accruals basis and is based on historical costs, except for Sandalwood trees (which are biological assets), which are recorded at fair value using a discounted cash flow calculation. 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 financial report was authorised for issue on 25 February 2009 by the board of directors of the responsible entity.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

ECONOMIC ENTITY
31-Dec-08 31-Dec-07
6 Mth 6 Mth
\$ \$

NOTE 2: REVENUE

Sales revenue:		
Revenue from services	6,864,138	12,370,956
Revenue from product sales	5,712,216	-
Revenue from farming operations	104,829	819,275
Interest on loans	790,894	1,162,701
Total sales revenue	<u>13,472,077</u>	<u>14,352,932</u>
Other income:		
Interest received	384,830	273,298
Profit / (Loss) on disposal of plant & equipment	5,550	(7,670)
Gain on agriculture produce	17,982	24,530
Gain on revaluation of plantations	10,657,870	557,434
Other income	<u>11,066,232</u>	<u>847,592</u>

31-Dec-08 30-Jun-08
\$ \$

NOTE 3: TRADE AND OTHER RECEIVABLES (CURRENT)

Trade Debtors	14,902,442	37,579,584
Provision for impairment of receivables	(657,455)	(546,805)
	<u>14,244,987</u>	<u>37,032,779</u>
Loans to growers	1,040,000	1,031,733
Bonds & deposits	40,000	40,000
Prepayments	496,359	160,202
Other	-	-
	<u>15,821,346</u>	<u>38,264,714</u>

NOTE 4: INVENTORIES (CURRENT)

Sandalwood Oil	55,427	55,426
Finished goods	4,752,234	-
Seedlings at Cost	657,968	371,434
Seed Stock	198,228	180,246
Harvested trees (FPC)	41,500	41,500
Cut hay	-	89,290
Raw materials	39,875	84,544
Provision for obsolete stock	(58,996)	-
	<u>5,686,236</u>	<u>822,440</u>

NOTE 5: TRADE AND OTHER RECEIVABLES (NON-CURRENT)

Loans to growers	14,274,218	9,950,473
Less: Provision for impairment of receivables	-	(32,959)
	<u>14,274,218</u>	<u>9,917,514</u>
Loans to employees under share acquisition plan	3,787,165	3,842,408
Total Receivable (Non Current)	<u>18,061,383</u>	<u>13,759,922</u>

TFS CORPORATION LTD
(ABN: 97 092 200 854)

31-Dec-08 **30-Jun-08**
\$ \$

NOTE 6: OTHER FINANCIAL ASSETS
(NON-CURRENT)

Forward exchange contracts - hedges	(406,171)	-
Interest rate swaps	253,497	-
Cash Deposit - First Loss Account	4,510,723	3,209,276
	4,358,049	3,209,276

NOTE 7: PROPERTY, PLANT & EQUIPMENT

Plant & Equipment - at cost	13,722,608	7,347,763
Less: Accumulated depreciation	(4,770,940)	(2,132,768)
Total plant & equipment	8,951,668	5,214,995
Land & Buildings at fair value	57,472,072	53,286,025
Land & Buildings at cost	-	(0)
Less: Accumulated amortisation	(138,273)	(7,150)
Total property	57,333,799	53,278,875
	-	-
Total property, plant & equipment	66,285,467	58,493,870

NOTE 8: BIOLOGICAL ASSETS

Sandalwood trees at cost:		
Opening balance	1,808,193	1,460,302
Additions	-	347,891
Closing Balance	1,808,193	1,808,193
Sandalwood trees at market value:		
Opening balance	20,180,069	18,102,486
Increments / (Decrements)	10,657,870	2,077,583
Closing balance	30,837,939	20,180,069
Total carrying value	32,646,132	21,988,262

NOTE 9: INTANGIBLE ASSETS

Goodwill:		
Cost	19,774,043	-
Accumulated impaired losses	-	-
Net carrying value	19,774,043	-
Supply agreements:		
Cost	478,000	478,000
Accumulated impaired losses	-	-
Net carrying value	478,000	478,000
Total intangibles	20,252,043	478,000

TFS CORPORATION LTD
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31-Dec-08 **30-Jun-08**
\$ \$

NOTE 10: OTHER ASSETS

Water rights	500	500
Option over land	-	-
Accrued income receivable	17,155,211	11,936,479
	17,155,711	11,936,979
Land preparation costs	2,206,033	197,592
Less: Provision for Amortisation	(197,592)	(197,592)
	2,008,441	-
Total Other Assets	19,164,152	11,936,979

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

Unsecured:		
Trade Creditors	2,525,775	1,363,064
Goods & services tax payable	(548,766)	4,129,730
Dividends payable	94,544	183,818
Payable for land acquisition	-	-
Other creditors and accrued expenses	1,649,909	7,411,324
	3,721,463	13,087,936

NOTE 12: PROVISIONS (CURRENT)

Employee entitlements	527,483	302,446
	527,483	302,446

NOTE 13: FINANCIAL LIABILITIES (CURRENT)

Secured:		
Bank overdraft	910,334	229,975
Hire purchase liability	357,425	308,316
Borrowing secured by mortgage	-	-
	1,267,759	538,291

NOTE 14: UNEARNED INCOME (CURRENT)

Unearned income	467,652	467,652
	467,652	467,652

NOTE 15: FINANCIAL LIABILITIES (NON CURRENT)

Secured:		
Hire purchase liability	596,127	641,156
Borrowing secured by mortgage	32,551,845	10,500,000
Loan Book Securitisation Facility	-	-
	33,147,972	11,141,156

NOTE 16: UNEARNED INCOME (NON CURRENT)

Unearned Income	3,000,918	3,241,530
	3,000,918	3,241,530

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31-Dec-08 **30-Jun-08**
\$ \$

NOTE 17: ISSUED CAPITAL

Issued ordinary fully paid with no par value
189,310,818 (30.06.08: 187,278,488)

41,501,797 39,665,452

31-Dec-08 **30-Jun-08**
No. **No.**

Ordinary shares

At beginning of the period

187,278,488 162,065,036

Shares issued during the year

- 3 July 2007

- 17,000,000

- 3 August 2007

- 5,554,855

- 30 November 2007

- 735,212

- 6 June 2008

- 1,689,400

- 20 June 2008

- 233,985

- 26 August 2008

1,048,618 -

- 28 November 2008

983,712 -

At reporting date

189,310,818 187,278,488

(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 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 response 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 and past year ends are as follows.

31-Dec-08 **30-Jun-08**
\$ \$

Total borrowings

34,415,730 11,679,447

Less: Cash and cash equivalents

930,098 16,901,389

Net debt

33,485,632 (5,221,942)

Total equity

115,314,109 113,970,058

Total capital

148,799,741 108,748,116

Gearing ratio

22.50% -4.80%

TFS CORPORATION LTD
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31-Dec-08 **30-Jun-08**
\$ \$

NOTE 18: CASH FLOW INFORMATION

(i) Reconciliation of cash

Cash balance comprises:

Cash at bank	925,864	16,900,678
Cash on hand	3,946	424
JV Cash at bank	288	287
Cash balance as per balance sheet	930,098	16,901,389
Less: Overdraft	(910,334)	(229,975)
Cash balance as per cash flow statement	19,764	16,671,414

31-Dec-08 **31-Dec-07**
6 Mth **6 Mth**
\$ \$

(ii) Reconciliation of operating profit after income tax to the net cash flow provided by operating activities.

Operating profit / (loss) after income tax	5,157,519	3,109,378
Add/(less) non-cash items:		
Depreciation and amortisation	613,062	357,460
Tax adjustment taken direct to equity/ARR	-	143,756
Opening retained profits adjustment	-	1,071
Net cash provided by operating activities before change in assets and liabilities	5,770,581	3,611,665
Changes in operating assets and liabilities:		
Provision for taxation increase / (decrease)	(2,884,537)	(6,056,408)
Provision for impairment increase / (decrease)	77,691	79,868
Provision for deferred taxation increase / (decrease)	4,511,046	977,008
Future taxation benefit (increase) / decrease	204,889	431,341
(Profit) / loss on sale of fixed assets	(5,550)	7,670
(profit) / loss on sale of investments	(37,415)	-
(Increase) / decrease in trade debtors	23,952,509	13,288,722
(Increase) / decrease in prepayments	(281,024)	(29,173)
(Increase) / decrease in accrued income receivable	(5,218,732)	(2,861,025)
(Increase) / decrease in grower loans	(4,332,012)	(15,307,732)
(Increase) / decrease in inventories	(1,392,782)	(379,982)
(Increase) / decrease in sandalwood trees	(10,657,870)	(880,600)
(Increase) / decrease in land preparation	(2,008,441)	-
(Increase) / decrease in foreign exchange / swap contracts	678,023	-
Increase / (decrease) in trade creditors and provisions	(10,318,004)	(4,931,890)
Increase / (decrease) in unearned income	(240,612)	(263,342)
Net cash flow from operating activities	(2,182,241)	(12,313,878)

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NOTE 19: SEGMENT INFORMATION

The consolidated entity's operations involve the management and maintenance of forestry plantations and the provision of finance. All operations are conducted in Australia.

Industry Segments	Plantation Management		Finance		Sandalwood Products		Agriculture		Consolidation	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth	6 Mth
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Operating revenue</i>										
Establishment Fees (New sales)	-	8,286,000	-	-	-	-	-	-	-	8,286,000
Lease & management Fees	1,128,640	1,017,818	-	-	-	-	-	-	1,128,640	1,017,818
Accrued income recognition	5,218,732	2,861,025	-	-	-	-	-	-	5,218,732	2,861,025
Product sales	-	-	-	-	5,712,216	-	-	-	5,712,216	-
Sales of agriculture produce	-	-	-	-	-	-	104,829	819,275	104,829	819,275
Interest	384,830	273,298	790,894	1,162,701	-	-	-	-	1,175,724	1,435,999
Gain on revaluation of plantation	10,657,870	557,434	-	-	-	-	-	-	10,657,870	557,434
Other	540,308	222,973	-	-	-	-	-	-	540,308	222,973
Total segment revenue	17,930,380	13,218,548	790,894	1,162,701	5,712,216	-	104,829	819,275	24,538,319	15,200,524
Unallocated revenue									-	-
Revenue from ordinary activities									24,538,319	15,200,524
Earnings before interest, tax, dep'n and amort'n ("EBITDA")	6,927,110	4,418,358	1,029,387	1,206,268	2,127,086	-	26,849	118,175	10,110,432	5,742,801
Segment result before income tax	5,220,793	3,358,332	1,024,939	945,867	945,594	-	26,849	118,175	7,218,175	4,422,374
Unallocated expenses									-	-
Income tax									(2,060,656)	(1,312,996)
Consolidated entity operating profit after tax									5,157,519	3,109,378
Segment Assets	129,417,657	152,427,899	19,922,698	14,191,281	34,578,804	-	-	89,290	183,919,160	166,708,470
Segment Liabilities	31,987,729	43,253,494	14,201,284	9,484,918	22,416,037	-	-	-	68,605,050	52,738,413
Acquisitions of non-current segment assets	2,170,234	7,108,212	-	-	6,258,975	-	-	-	8,429,209	7,108,212
Depreciation and amortisation of segment assets	447,339	350,435	-	-	165,723	-	-	-	613,062	350,435

TFS CORPORATION LTD
(ABN: 97 092 200 854)

	31-Dec-08	31-Dec-07
	6 Mth	6 Mth
	\$	\$

NOTE 20: ACQUISITION OF SUBSIDIARIES

As reported in the annual report, the parent entity acquired 100% of Mt Romance Holdings Ltd on 24 July 2008, a manufacturer and wholesale distributor of Australian sandalwood oil and related products. The purchase price was satisfied by the issue of 1,048,618 ordinary shares at an issue price of \$1.049 each and the payment of \$9,900,000. The issue was based on the market price at the date of purchase.

The purchase price was allocated as follows:

Purchase consideration	11,000,000	-
Cash consideration	9,900,000	-
Equity issued as consideration	1,100,000	-
Total Purchase	11,000,000	-
Fair value of assets acquired (see below)	4,915,396	
Goodwill	6,084,604	
Investment in subsidiary	11,000,000	-
Assets and liabilities held at acquisition date:		
Cash and cash equivalents	1,620,327	-
Receivables & other financial assets	1,921,373	-
Inventories	3,471,014	-
Property plant and equipment	5,299,408	-
Goodwill	13,689,439	-
Payables	(2,151,734)	-
Borrowings	(18,934,431)	-
Net assets acquired	4,915,396	-
Purchase consideration settled in cash	9,900,000	-
Cash and cash equivalents in subsidiary acquired	(1,620,327)	-
Cash outflow on acquisition	8,279,673	-

NOTE 21: DIVIDENDS

Distributions paid

Final fully franked dividend of 2.5 cents per share.	-	4,615,502
Final fully franked dividend of 3.0 cents per share.	5,649,813	-
	5,649,813	4,615,502
(a) Proposed interim fully franked ordinary dividend of 1.25 cents per share (2007: 1.0 cents) franked at the tax rate of 30% (2007: 30%)	2,366,385	1,853,551

TFS CORPORATION LTD
(ABN: 97 092 200 854)

	Consolidated 6 months to 31 Dec 2008	Consolidated 6 months to 31 Dec 2007
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NOTE 22: EARNINGS PER SHARE

Earnings used in calculating basic and diluted earnings per share	\$5,157,519	\$3,109,378
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	188,169,789	183,255,361
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	189,169,789	183,255,361

NOTE 23: SUBSEQUENT EVENTS

There have not been any events occur after balance date which have or may affect the economic entity's operations, results of operations or state of affairs in future financial periods.

NOTE 24: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since last reporting date.

NOTE 25: SEASONAL OPERATIONS

TFS's major business activity is the promotion of Managed Investment Schemes ("MIS") in Indian Sandalwood. The nature of the MIS industry determines that a significant percentage of new sales occurs in the latter 6 months of the financial year. Accordingly the financial statements for the half year will not be an accurate indicator of the full year performance.

TFS CORPORATION LTD
(ABN: 97 092 200 854)

DIRECTORS' DECLARATION

The directors of the company declare that:-

1. The attached financial statements and notes are in accordance with the Corporations Act 2001:-
 - (a) comply with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the economic entity.
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity 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



Director _____

F C Wilson

Dated this 25th day of February 2009.

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of TFS Corporation Limited for the half year ended 31 December 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 25th day of February 2009

Independent Auditor's Review Report

To the Members of TFS Corporation Limited

We have reviewed the accompanying half-year financial report of TFS Corporation Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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Directors Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of TFS Corporation Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Independent Auditor's Review Report

To the Members of TFS Corporation Limited and Controlled Entities (Continued)



Conclusion

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

- a. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Ranko Matić".

RANKO MATIĆ
Director

DATED at PERTH this 25th day of February 2009