

SE Business  
HD **Wood works wonders as TFS branches out**  
BY Brad Thompson  
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Indian sandalwood producer TFS Corporation is eyeing lucrative markets in **China** after making a record profit of \$85.5 **million**.

TFS's profit jumped 48 per cent in 2013-14 after the signing of a supply deal with Nestle-owned dermatology **company** Galderma, which set a price of \$4500/kg for Indian sandalwood **oil**.

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The **company** also increased its ownership of plantations by 52 per cent to 3167ha and celebrated the first commercial harvest of plantations on the Ord River irrigation scheme planted under managed investment schemes.

Profit was up based on a huge jump in the book value of its plantation assets from \$12.47 **million** to \$63.3 **million**.

TFS managing director Frank Wilson expects strong demand from **China**, India and Europe for both wood and **oil** in addition to supplying Galderma.

"**China** is potentially our biggest and best market for both wood and **oil**," he said. "We just need to wait until supply of sandalwood from our plantations gives us the ability to deliver."

TFS expects its first **sale** of **oil** into **China** this year to fetch more than \$5000/kg for use in traditional medicines, skin care products and air fresheners.

Mr Wilson said that within two years the harvest of bigger and better trees would see heartwood sold into **China** for up to \$200,000 a tonne for use in furniture and other premium products.

TFS recently paid about \$2.7 **million** at tender for wood produced by MIS growers involved in its first commercial harvest. The 180t of wood is estimated to contain about 27t of heartwood suitable for **oil** extraction.

There were six other bidders for the wood, including Indian, Middle East and domestic interests, with the next best offer coming in at about \$92,000/t for the heartwood compared with \$100,000/kg from TFS.

Mr Wilson said the **sale** would result in growers making a small pre-tax, pre-borrowing return in a rarity for MIS projects.

"I think this year has been a turning point for TFS because we have finally moved into harvesting and production and **sale** of end products," he said.

"From now on our profits are going to be much more dependent on the **sale** of sandalwood end products — wood and **oil** — than they are on **sale** of financial products to our investors."

TFS has increased its direct ownership of plantations by buying them from investors and planting in its own right. It wants to develop up to 15,000ha of new plantations over time and is targeting land in the Northern Territory and around the Ord.

TFS shares closed down 1¢ yesterday at \$1.985.

**CO** owgld : Galderma SA | tfscrl : TFS Corporation Limited | nstlc : Nestle SA | orl : L'Oreal SA  
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