

TFS PREMIUM SANDALWOOD PROJECT 2004  
A.R.S.N: 108 714 736

ANNUAL REPORT  
FOR THE YEAR ENDED 30 June 2014

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## RESPONSIBLE ENTITY'S REPORT

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The directors of TFS Properties Ltd (ACN 093 330 977), responsible entity for TFS Premium Sandalwood Project 2004 ("the project"), present their report together with the financial statements of the project for the period ended 30 June 2014.

### Directors

The names of the directors of TFS Properties Ltd during the period and at the date of this report are:

Mr Patrick O'Connor (Chairman) (Appointed 17 September 2013)

Mr Frank Wilson (Chief Executive Officer)

Mr Ronald Eacott

Mr Adam Gilchrist (Resigned 8 May 2014)

Mr Julius Matthys

Mr Stephen Atkinson (Resigned 1 September 2014)

Mr John Groppoli (Appointed 10 October 2014)

Mr Dalton Gooding (Appointed 16 October 2014)

### Principal Activities

During the period the principal activity of the project was the establishment and management of a sandalwood plantation.

### Change of State of Affairs

There was no significant change in the state of affairs of the project.

### Results of Operations, Financial Position and Likely Developments

The project made a loss for the year ended 30 June 2014 of \$812,398 (2013: Loss of \$8,313,957).

This is due to the revaluation of the sandalwood trees during the year ended 30 June 2014. This revaluation was impacted by the following:

- A fair value gain due to a shorter period to harvest;
- Reduction of 1.0kg in the expected heartwood per tree negatively impacting the valuation;
- Tree mortality of 4.6% negatively impacted the biological asset valuation; and
- Negative impact due to the movement in the AU dollar/US dollar exchange rate being less favourable compared to the corresponding period.

During the period the responsible entity completed a full inventory count and analysis of the project and has applied the results in this financial report. These included:

- Tree survival rate has reduced, currently 63.8% compared to 68.4% in 2013, which is below original target for this project; and
- Reduction in the expected heartwood yield per tree from 10.3kg in 2013 to 9.3kg (at 25% moisture content).

The full inventory count and analysis also identified that a compartment (Lot 386/2 (De Bont's) 29.47ha) had experienced significant mortality and poor growth. This prompted the responsible entity to adjust the yield curves downwards to reflect lower expected average heartwood yield per tree. The cause is likely to be related to elevated levels of boron, ph and salinity in the soil.

200 lots relates to plantation sales made in the 30 June 2004 year were planted in July 2004 on Block 6 of King Location 385 and Block 2 of King Location 386 at Packsaddle Plain. Some of this plantation also underwent an infill program in May / June 2005 to replace some of the losses that occurred after planting.

350 lots relating to the remaining plantation sales made in the 30 June 2004 year were planted in May / June 2005 on Compartment 16 of King Location 386 and Block 10 of King Location 384 at Packsaddle Plain. Of the lots sold during the 30 June 2005 year, 10 lots were planted in June 2005 while the remaining 466 lots were planted in July 2005 on Blocks 10 and 11 of King Location 384 Packsaddle Plain. Due to initial poor survivals the lots planted at Block 11 were subsequently removed and replanted in the 2007 planting season.

In August 2014, the first sale of sandalwood which had been grown on a plantation operated by the responsible entity and owned by growers was completed. This wood was sold at public tender at which bids were received from 6 different bidders. The wood was acquired by Gulf Natural Supply Co an associate of the responsible entity for an average price of around \$100 per kg of heartwood. This sale price compares to the biological assets of the TFS Premium Sandalwood Project 2004 which are valued at an average price of around \$98 per kg of heartwood when applying a similar moisture content (14%) as per the wood sold at public tender.

The valuation methodology and assumptions used to value the project's biological assets are set out in detail in Note 5 on pages 15 and 16.

## RESPONSIBLE ENTITY'S REPORT (CONTINUED)

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Due to the low quantities of auctioned heartwood, the valuation of the plantation for the current year has been derived by obtaining the current Indian sandalwood oil price as obtained from the "Public Ledger" publication and applying that price to expected oil yields within the plantation trees to arrive at an approximate for the relevant value of the sandalwood logs. The equivalent Australian dollar Public Ledger price for Indian sandalwood oil as at 30 June 2014 was A\$2,653 per kg (2013: A\$2,735).

### Project Property

At 30 June 2014 there were 926 units (1/10<sup>th</sup> Ha) held by investors in the project. In addition to this, the responsible entity or its associates held 100 units in the equivalent project which have not been reflected in this statement. During the year these 100 units mentioned earlier were transferred from investors to the responsible entity or its associate and was the result of an investor selling units to an associate of the responsible entity.

The net assets of the project at 30 June 2014 were \$9.19m. This primarily consists of the valuation of the sandalwood trees held by investors. The valuation is based on a discounted cash flow formula for the expected tree value at harvest applied to the estimated survived tree count in the plantation.

There were fees of \$10,112 received during the year from investors or paid to the responsible entity or its associates.

### Expert Forester's Report

An extract from a report on the Plantations by our independent expert forester, Mr Ray Fremlin follows:

This report reviews the status of the plantation managed under these projects (TFS Sandalwood 2004 and TFS Premium Sandalwood 2004) and discusses the maintenance operations carried out in them over the past year.

The plantation is situated on the Packsaddle Plain, a few kilometres south-east of the Kununurra townsite and comprises stands located as follows: Stand 6 (1.0 ha) is on King Location 385; stands 10 (6 ha), 11 (4.2 ha) and 12 (5.3 ha) are on King Location 384; and stand 6 is on King location 386/2 known as De Bont's Farm (13.5 ha). The 2004 project is 30.0 ha in extent.

Premium 2004 is located as follows: Lot 386/2 (De Bont's) 29.47 ha; Lot 384 Block 10 (22.16 ha) and Block 11(39.0 ha) and Lot 385 Block 6 (2.0 ha). Total area is 92.63 ha.

The stands vary in age by up to four years. Stand 11 is seven years old. Originally planted at the same time as 10 and 12 (these now being 9 years old), it failed and had to be replanted. Stand 6 was planted in 2004 and is now ten years old. De Bont's was planted in 2005 and is now nine years old.

The tree crop in the south-eastern end of stands continues to deteriorate with mortalities occurring in both the sandalwood and the *Cassia siamea* components of the crop. These symptoms have been identified in other plantation areas where they were proven to be associated with a rise in the water table, bringing the toxic mineral boron into the rooting zone of the trees. The exceptionally wet season of 2013/2014 has exacerbated the problem causing many sandalwood trees to lose their leaves. Most have recovered, however this stand remains poor. *Cathormion umbellatum* remains healthy indicating that this species tolerates this site type.

Stand 6 received a blanket spray of a knockdown herbicide in August 2013 and again in May 2014. These were to prevent weed development. Stand 10, 11 and 12 were sprayed with herbicide in June 2013 and October 2013. De Bont's was sprayed in June 2013 and May 2014.

Two aerial applications of Agrifos were applied to all stands in March 2014 to prevent infection by the root rot fungus *Phytophthora*. This was necessary following an exceptional wet season and a long period of inundation.

Sandalwood stocking in Stands 6, 10 and 11 have not significantly changed in the last two years. However, stocking in Stands 16 and 12 has dropped significantly (14% and 28% respectively) and are now at 279 and 248 trees/hectare.

The maintenance of plantation infrastructures continued throughout the dry season when vehicle access was possible. Water supply channels were delved to improve the water flow, silt was removed from the drains for removing water from the plantations and access tracks were maintained in trafficable condition. All these structures were sprayed with herbicide periodically to keep them weed free.

Stand 6 adjoins native bush which poses a fire problem. It was protected by a 50 to 100 metre wide firebreak maintained free of flammable material throughout the dry season.

## RESPONSIBLE ENTITY'S REPORT (CONTINUED)

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Given that parts of this project are on soils that, over time, have shown not to be suited to sandalwood, TFS manages the projects in a professional manner.

### **Environmental Management**

The project's operations are subject to significant environmental regulations under the laws of the Commonwealth and State.

The directors of the responsible entity have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act does not affect the project for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 23 of the financial report.

For and on behalf of the directors of TFS Properties Ltd:

A handwritten signature in black ink, appearing to be 'Patrick O'Connor', written in a cursive style.

**Patrick O'Connor - Chairman**

Dated at Perth this 28<sup>th</sup> day of October 2014

## Independent Auditor's Report

### To the Members of TFS Premium Sandalwood Project 2004

We have audited the accompanying financial report of TFS Premium Sandalwood Project 2004 ("the registered scheme"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in Growers' Fund and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

#### Directors Responsibility for the Financial Report

The directors of the responsible entity of the registered scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## ***Independent Auditor's Report***

To the Members of TFS Premium Sandalwood Project 2004 *(Continued)*

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### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **Auditor's Opinion**

In our opinion:

- a. The financial report of TFS Premium Sandalwood Project 2004 is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the registered scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**BENTLEYS**  
**Chartered Accountants**

**MARK DELAURENTIS CA**  
**Director**

Dated at Perth this 28<sup>th</sup> day of October 2014

**TFS PREMIUM SANDALWOOD PROJECT 2004**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

|   | NOTE | 2014<br>\$       | 2013<br>\$         |
|---|------|------------------|--------------------|
| <b>REVENUE</b>                                      |      |                  |                    |
| Lease & management fees                             | 9(c) | 10,112           | 9,818              |
| Net decrement in net value of biological assets     | 5    | (812,398)        | (8,313,957)        |
|   |      | <u>(802,286)</u> | <u>(8,304,139)</u> |
| <b>EXPENSES</b>                                     |      |                  |                    |
| Audit fees  | 11   | 4,690            | 4,630              |
| Compliance committee remuneration                   | 10   | 6,265            | 6,153              |
| Filing fees   |      | 2,047            | 1,086              |
| Management fees                                     | 9(c) | 9,141            | 8,875              |
| Leasing fees  | 9(c) | 971              | 943                |
| Reimbursement of expenses by the responsible entity |      | (13,002)         | (11,869)           |
|   |      | <u>10,112</u>    | <u>9,818</u>       |
| <b>LOSS BEFORE INCOME TAX</b>                       |      | <u>(812,398)</u> | <u>(8,313,957)</u> |
| Income tax  |      | -                | -                  |
| <b>LOSS FROM CONTINUING OPERATIONS</b>              |      | <u>(812,398)</u> | <u>(8,313,957)</u> |
| <b>LOSS FOR THE PERIOD</b>                          |      | <u>(812,398)</u> | <u>(8,313,957)</u> |
| <b>OTHER COMPREHENSIVE INCOME</b>                   |      |                  |                    |
| Total comprehensive income for the period           |      | -                | -                  |
| <b>TOTAL COMPREHENSIVE INCOME</b>                   |      | <u>(812,398)</u> | <u>(8,313,957)</u> |

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**TFS PREMIUM SANDALWOOD PROJECT 2004  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

|                                      | NOTE | 2014<br>\$       | 2013<br>\$        |
|--------------------------------------|------|------------------|-------------------|
| <b>CURRENT ASSETS</b>                |      |                  |                   |
| Cash and cash equivalents            | 2    | -                | -                 |
| Trade and other receivables          | 3    | -                | -                 |
| Other                                | 4    | -                | -                 |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>-</b>         | <b>-</b>          |
| <b>NON CURRENT ASSETS</b>            |      |                  |                   |
| Biological assets                    | 5    | 9,193,831        | 11,086,465        |
| Other                                | 4    | -                | -                 |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>9,193,831</b> | <b>11,086,465</b> |
| <b>TOTAL ASSETS</b>                  |      | <b>9,193,831</b> | <b>11,086,465</b> |
| <b>CURRENT LIABILITIES</b>           |      |                  |                   |
| Trade and other payables             | 6    | -                | -                 |
| Unearned Income                      | 7    | -                | -                 |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>-</b>         | <b>-</b>          |
| <b>NON CURRENT LIABILITIES</b>       |      |                  |                   |
| Unearned Income                      | 7    | -                | -                 |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>-</b>         | <b>-</b>          |
| <b>TOTAL LIABILITIES</b>             |      | <b>-</b>         | <b>-</b>          |
| <b>NET ASSETS</b>                    |      | <b>9,193,831</b> | <b>11,086,465</b> |
| <b>GROWERS' FUNDS</b>                |      |                  |                   |
| Undistributed income reserve         |      | 9,193,831        | 11,086,465        |
| <b>EQUITY</b>                        |      | <b>9,193,831</b> | <b>11,086,465</b> |

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**TFS PREMIUM SANDALWOOD PROJECT 2004  
STATEMENT OF CHANGES IN GROWERS' FUNDS  
FOR THE YEAR ENDED 30 JUNE 2014**

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|  | Undistributed<br>Income<br>\$ | Total<br>\$       |
|--|-------------------------------|-------------------|
| <b>Balance at 01.07.12</b>                                   | 19,400,422                    | 19,400,422        |
| Total comprehensive income for period                        | (8,313,957)                   | (8,313,957)       |
| Sub-Total  | <u>11,086,465</u>             | <u>11,086,465</u> |
| <b>Balance at 30.06.13</b>                                   | <u>11,086,465</u>             | <u>11,086,465</u> |
| <br>   |                               |                   |
| <b>Balance at 01.07.13</b>                                   | 11,086,465                    | 11,086,465        |
| Total comprehensive income for period                        | (812,398)                     | (812,398)         |
| Trees surrendered by growers upon departure from the project | (1,080,236)                   | (1,080,236)       |
| Sub-Total  | <u>9,193,831</u>              | <u>9,193,831</u>  |
| <b>Balance at 30.06.14</b>                                   | <u>9,193,831</u>              | <u>9,193,831</u>  |

The Statement of Changes in Growers' Funds should be read in conjunction with the accompanying notes.

**TFS PREMIUM SANDALWOOD PROJECT 2004  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

|   | NOTE | 2014<br>\$ | 2013<br>\$ |
|---|------|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |      |            |            |
| Receipts from growers                       |      | -          | -          |
| Payments to suppliers                       |      | -          | -          |
|   | 8(b) | <u>-</u>   | <u>-</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |      |            |            |
| Payment for establishment of plantations    |      | -          | -          |
|   |      | <u>-</u>   | <u>-</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |      |            |            |
| Other                                       |      | -          | -          |
|   |      | <u>-</u>   | <u>-</u>   |
| Net increase / (decrease) in cash held      |      | -          | -          |
| Cash at beginning of year                   |      | -          | -          |
| Cash at end of financial year               | 8(a) | <u>-</u>   | <u>-</u>   |

All cash transactions are processed and managed by TFS Properties Ltd ("responsible entity") and no cash payments are made and received within the project.

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the TFS Premium Sandalwood Project 2004. The TFS Premium Sandalwood Project 2004 is a Managed Investment Project registered in Australia.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards; including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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 net market value. 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 statements are presented in Australian dollars which is the project's functional and presentation currency.

### Accounting Policies

#### (a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the project and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST). The following specific revenue recognition criteria must also be met before revenue is recognised.

Operating revenue:

- Lease and Management Fees are recognised as revenue in the period to which they relate.

#### (b) Biological assets

Sandalwood trees are measured at the responsible entity's director's assessment of their fair value at each reporting date. The fair value is determined as being the net present value of expected future cash flows (discounted at a risk adjusted rate).

Net increments or decrements in the fair value of the sandalwood trees are recognised as revenues or expenses in the Statement of Profit or Loss and Other Comprehensive Income, determined as the difference between the total fair values of the trees recognised as at the beginning of the period and the total fair values of the trees recognised as at the reporting date.

Costs incurred in maintaining or enhancing trees are recognised as expenses when incurred. Therefore, those costs are not included in the determination of the net increment in fair values.

#### (c) Inventories

Inventories are measured at the lower of cost and net realisable value except for harvested trees which are measured at fair value less estimated cost to sell at the point of harvest, and subsequently at the lower of this or its Net Realisable Value under AASB 102 Inventories.

#### (d) Income Tax

Under current legislation, the project is not subject to income tax provided the Growers are presently entitled to the income of the project.

Unrealised gains and losses on investments which are regarded as income, are transferred to Growers' funds and are not distributable and assessable until realised. When income is realised, tax will be paid by the growers at the marginal rates of tax that exist under the relevant tax legislation at the date of realisation.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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### (e) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks, and short-term deposits at call.

### (f) Trade and other Receivables

Trade and other receivables are recognised and carried at original invoice amount, or the amount due less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The amount provided for is the portion deemed uncollectable after the value of trees as security has been taken into account. Bad debts are written off as incurred.

### (g) Trade and other Payables

Liabilities for creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest is recognised as an expense on an accruals basis. Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

### (h) Unearned Income

Prepaid Lease and Management Fees are recognised on a straight line basis over the term of the project as this is considered to closely approximate the value of the service provided. The unearned portion is deferred and recorded as unearned income.

### (i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (j) Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

### (k) Financial Instruments

#### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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Financial instruments are initially measured as cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

### Classification and Subsequent Measurement

#### *Financial assets at fair value through profit and loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### *Held-to-maturity investments*

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

#### *Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### *Financial Liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

### (I) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### Critical Accounting Estimates and Judgements

The directors of the responsible entity evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the project.

#### *Key Estimate – Biological Asset valuation*

As referred to in Note 1(b) and Note 5, as required under the accounting standards the directors of the responsible entity make an estimate as to the fair value of the standing sandalwood trees held by the project. The carrying value of the sandalwood trees at year end is shown in Note 5. The fair value is calculated as the net present value of expected future cash flows.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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The estimates used in calculating the expected future cash flows include key assumptions on yields of heartwood, oil content and number of trees, as well as assumptions as to the future price of sandalwood oil. The directors of the responsible entity also include assumptions on the expected future harvesting and processing (oil extraction) costs. All estimates are based on the best information currently available and where there is any doubt the entity uses the more conservative estimates.

### *Key Estimate and Judgement – Provision for Impairment of Receivables*

The entity assesses the likelihood of any impairment of the entity's receivables at each reporting date by evaluating those payments that are in arrears and making a judgement as to the likelihood of that receivable not being paid based on all knowledge available of the debtor. When recovery is assessed as doubtful, the entity estimates by how much the security held by the company against the receivable will be insufficient to adequately cover the debt and records a provision accordingly. The total provision for impairment of receivables at year end is shown in Note 3.

### *Key Judgement – Environmental issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the entity's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

### **(m) Fair value measurement**

A number of the entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The directors of the responsible entity have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The directors of the responsible entity regularly review significant unobservable inputs and valuation adjustments. If third party information, such as valuation reports is used to measure fair values, then the directors of the responsible entity assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB 13: Fair Value Measurement, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the board of directors of the responsible entity.

When measuring the fair value of an asset or a liability, the entity uses market observable data as far as possible. Fair values of assets or liabilities are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5: Biological assets.

The directors of the responsible entity assess that cash and short-term deposits, trade receivables, other current financial assets, trade payables and other current liabilities carrying amounts approximate their fair values largely due to the short-term maturities of these instruments.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

Long term receivables, other non-current financial assets and financial liabilities are evaluated by the directors of the responsible entity based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, as at 30 June 2014, the carrying amounts of such receivables, other non-current financial assets and financial liabilities, were deemed to not be materially different from their calculated fair values.

**New Accounting Standards for Application in Future Periods**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the entity are set out below. The entity does not plan to adopt these standards early.

| Standard/Interpretation   | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|--|---|
| AASB 9 'Financial Instruments', and the relevant amending standards   | 1 January 2017   | 30 June 2018  |
| AASB 1031 'Materiality' (2013)  | 1 January 2014   | 30 June 2015  |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'       | 1 January 2014   | 30 June 2015  |
| AASB 2013-3 'Amendments to AASB 135– Recoverable Amount Disclosures for Non-Financial Assets'                             | 1 January 2014   | 30 June 2015  |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'   | 1 January 2014   | 30 June 2015  |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014   | 30 June 2015  |

The financial report was authorised for issue on 28 October 2014 by the board of directors of the responsible entity.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

|  | 2014<br>\$       | 2013<br>\$        |
|--|------------------|-------------------|
| <b>2. CASH AND CASH EQUIVALENTS</b>  |                  |                   |
| Cash at bank   | -                | -                 |
| <b>3. TRADE AND OTHER RECEIVABLES</b>  |                  |                   |
| Outstanding fees (i)   | -                | -                 |
| Less: Provision for impairment of receivables  | -                | -                 |
|  | -                | -                 |
| <p>(i) Outstanding fees represent moneys receivable from growers for the cost of establishment of the plantation. No interest has been charged on amounts due.</p>     |                  |                   |
| <b>4. OTHER ASSETS</b>   |                  |                   |
| <b>Current</b>   |                  |                   |
| Prepayments (i)  | -                | -                 |
| <b>Non Current</b>   |                  |                   |
| Prepayments (i)  | -                | -                 |
| <p>(i) prepayments represent lease and management fees paid to the manager in advance of the period in which the lease and management services are to be provided.</p> |                  |                   |
| <b>5. BIOLOGICAL ASSETS</b>  |                  |                   |
| Sandalwood plantations - Opening balance   | 11,086,465       | 19,400,422        |
| Trees surrendered by growers upon departure from the project   | ( 1,080,236 )    | -                 |
| Fair value adjustment  | ( 812,398 )      | ( 8,313,957 )     |
| <b>Total biological assets</b>   | <b>9,193,831</b> | <b>11,086,465</b> |
| <b>(a) Physical quantity of sandalwood trees planted and owned</b>   |                  |                   |
| Number of sandalwood trees   | 30,117           | 35,580            |
| Area under lease (planted) Ha  | 92.6             | 102.6             |
| Growers in project (units)   | 926              | 1,026             |

**(b) Nature of Asset**

Investors in the TFS Premium Sandalwood Project 2004 who are referred to as "Growers" subscribed for sandalwood lots of size one-tenth of a hectare each upon which sandalwood trees have been established.

The sandalwood plantation is situated at King Location 384, 385 and 386, approximately 8 kilometres from the Western Australian township of Kununurra.

The land upon which the sandalwood plantation is located is either owned or leased by the responsible entity. Growers lease the land from the responsible entity for the duration of the project. The project will continue in operation until the date on which the last of the Growers has been advised that the produce of the sandalwood crop from each leased area which is leased by the Grower has been harvested and that the relevant Lease and Management Agreement has been terminated but in any event, not later than 31 August 2022.

The net market value of the sandalwood trees has been determined in accordance with a directors' valuation in accordance with the AASB's to reflect the market value of plantation.

The sandalwood trees are subject to normal agriculture risks associated with forestry operations such as fire, pests and adverse weather conditions.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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### 5. BIOLOGICAL ASSETS – CON'T

#### (c) Measurement of fair values

(i) *Fair value hierarchy*

The fair value measurements for biological assets of \$9.19m (2013: \$11.09m) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used (refer to Note 1(m)).

(ii) *Level 3 fair values*

The following information shows the valuation techniques used in measuring fair values, as well as the significant observable and unobservable inputs used.

#### Valuation technique

*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates until harvest. The expected net cash flows are discounted using a risk-adjusted discount rate.

#### Significant observable inputs

- (i) The price of sandalwood oil is determined by market prices, being \$2,500 USD/kg (2013: \$2,500 USD/kg) and not inflated.
- (ii) US Dollar exchange rate used is constant through the valuation model at 1.061 AUD (2013: 1.094 AUD).

#### Significant unobservable inputs

- (i) The trees will be harvested within 15 years of being planted.
- (ii) Forecast of heartwood production at weighted average of 9.3kg (2013: 10.3kg) per sandalwood tree at a 25% moisture content.
- (iii) Projected oil content from the heartwood of 3.7% (2013: 3.7%) from forecast heartwood at a moisture content of 25%.
- (iv) The costs consist of harvesting, processing and marketing and sales cost.
  - Harvesting and processing (oil extraction) costs, estimated at \$16,000 (2013: \$16,000) per hectare and \$207 (2013: \$207) per litre of oil; and
  - Marketing and sales costs, estimated at 5% of proceeds.
  - Harvesting and processing (oil extraction cost) are held constant in real terms with an annual inflation rate of 3.0% (2013: 3.0%).
- (v) The pre-tax average real rate at which the net cash flows have been discounted by:
  - 13% (2013: 13%) for trees aged 6 to 10 years.
- (vi) Cash flows exclude income taxes.

#### (d) Financial Risk

The entity is exposed to the following risks relating to its sandalwood plantations.

(i) *Supply and demand risk*

The entity is exposed to risks arising from fluctuations in the price and sales volume of sandalwood. When possible, the entity intends to manage this risk by aligning its harvest volume to market supply and demand. Management of the responsible entity performs regular industry trend analysis for projected harvest volumes and pricing.

(ii) *Climate and other risks*

The entity's sandalwood plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The management of the responsible entity has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The management of the responsible entity also source insurance for the growers to insure against certain natural disasters such as fire and wind damage. The insured value of the plantation under the existing insurance policy is less than the fair value of these plantations, but greater than the cost of re-establishing the plantation. The insurance is not compulsory (except where the grower has an Arwon loan) and is entirely up to the discretion of each individual grower.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

|   | 2014<br>\$ | 2013<br>\$  |
|---|------------|-------------|
| <b>6. TRADE AND OTHER PAYABLES</b>  |            |             |
| Trust funds payable to responsible entity (i)   | -          | -           |
|   | -          | -           |
| (i) Trust funds payable to responsible entity represent the sum of monies payable by growers to the responsible entity under the lease and management agreement yet to be paid across. No interest is payable on outstanding amounts. |            |             |
| <b>7. UNEARNED INCOME</b>   |            |             |
| <b>Current</b>  |            |             |
| Prepaid lease & management fees   | -          | -           |
| <b>Non Current</b>  |            |             |
| Prepaid lease & management fees   | -          | -           |
| Represents lease and management fees recived in advance of services provided.   |            |             |
| <b>8. CASH FLOW INFORMATION</b>   |            |             |
| <b>(a) Reconciliation of cash</b>   |            |             |
| Cash balance comprises:   |            |             |
| Cash at bank  | -          | -           |
| <b>(b) Reconciliation of net operating income to net cash flows from operating activities</b>   |            |             |
| Net operating income  | (812,398)  | (8,313,957) |
| Adjustments:  |            |             |
| (Increase) / decrease in net receivables  | -          | 6,393       |
| (Increase) / decrease in market value of sandalwood trees   | 812,398    | 8,313,957   |
| Increase / (decrease) in payables   | -          | (6,393)     |
| <b>Net cash inflow / (outflow) from operating activities.</b>   | -          | -           |

**9. RELATED PARTY DISCLOSURE**

**(a) Responsible Entity**

The responsible entity of the TFS Premium Sandalwood Project 2004 is TFS Properties Ltd, whose immediate and ultimate holding company is TFS Corporation Limited.

**(b) Directors and Key management**

The directors and key management of the responsible entity during the period were:

Patrick O'CONNOR (Chairman) (Appointed 17 September 2013)  
 Frank WILSON (Chief Executive Officer)  
 Ronald EACOTT  
 Adam GILCHRIST (Resigned 8 May 2014)  
 Julius MATTHYS  
 Stephen ATKINSON (Resigned 1 September 2014)  
 Alistair STEVENS – Chief Financial Officer and Chief Operating Officer (Appointed 21 January 2014)  
 Paulo CORREA – Operations General Manager (Resigned 1 September 2014)  
 Brett BLUNDEN – General Manager Forestry (Appointed 2 September 2014)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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### 9. RELATED PARTY DISCLOSURE – CON'T

#### (c) Fees paid or payable to the Responsible Entity

The responsible entity receives all Establishment, Lease and Management Fees which have been paid by the Project during the period.

The responsible entity provides sandalwood plantation establishment and management services for TFS Premium Sandalwood Project 2004 and carries out the custodial and administrative functions.

Transactions between TFS Premium Sandalwood Project 2004 and TFS Properties Ltd result from normal dealings with that company as the project's responsible entity and holder of a dealer's license.

#### (d) Holdings of Directors and Director Related Entities

A total of 10 lease interests are held by directors or parties related to directors on the same terms and conditions as other Growers. No amounts are outstanding at year end.

#### (e) Key management compensation

No compensation has been paid by the project, or its responsible entity directly to key management personnel.

### 10. COMPLIANCE MATTERS

#### (a) Compliance Committee

The Compliance Committee during the period consisted of:

Ron Eacott (Chairman) – Director TFS Properties Ltd  
Robert Marusco – NKH Capital  
John O'Brien – Optima Partners

The Compliance Officer during the year was Doug Verley of NKH Capital.

#### (b) Remuneration of Compliance Committee

\$6,265 (2013: \$6,153) (GST exclusive) was paid to the external members of the Compliance Committee by the responsible entity for provision of their services during the period ended 30 June 2014.

### 11. AUDITOR'S REMUNERATION

Bentleys are the auditors of the project and the project's compliance plan. During the year the auditors received remuneration in relation to the project of \$4,690 (2013: \$4,630).

### 12. OPERATING SEGMENTS

#### *Identification of reportable segments*

The responsible entity has identified one reportable segment for the project, being the growing and harvesting of sandalwood trees, 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 board reviews financial information on the same basis as presented in the financial statements and has therefore determined the operating segment on this basis.

#### *Basis of accounting for purposes of reporting by operating segments*

#### *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the board of directors, being 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 project.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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### 12. OPERATING SEGMENTS – CONT

#### *Segment assets*

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

#### *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the project as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

#### *Geographic Segment*

The project operates in one geographical segment, being Australia.

### 13. SUBSEQUENT EVENTS

There has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the project.

### 14. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk management

The project's financial instruments consist mainly of trade and other receivables.

##### (i) Treasury risk management

The chief executive officer and chief financial officer of the responsible entity regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The overall treasury risk management strategy is to assist the project in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

##### (ii) Financial risk exposures and management

The main risks the project is exposed to through its financial instruments are liquidity risk, foreign currency risk, credit risk, and agricultural risk.

#### *Interest rate risk*

The project was not exposed to interest rate risk as at the balance date.

#### *Liquidity risk*

The project manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

#### *Foreign currency risk*

The project is exposed to fluctuations in foreign currencies in relation to its valuation of biological assets.

#### *Credit risk*

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract. The project's only credit risk exposure relates to debtors who comprise the receivable balance at 30 June 2014. A provision for impairment is recognised when collection of the full nominal amount is uncertain.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

### 14. FINANCIAL RISK MANAGEMENT – CON'T

#### *Agricultural risk*

The project is exposed to agricultural risks in relation to the establishment and maintenance of its sandalwood plantations. These risks are managed by ensuring appropriate qualified staff (including foresters and agronomists etc) are employed to undertake and monitor the agricultural activities. Those activities are underpinned by manuals that have been developed to mitigate many of the risks attributable to the plantations.

#### *Price risk*

The project is exposed to commodity price risk in relation to its valuation of biological assets and specifically the project owned sandalwood plantations.

#### (b) Financial instruments

- (i) As at 30 June 2014 the project had not entered into any derivative financial instruments, foreign exchange contracts, interest rate swaps or similar contracts.
- (ii) Net fair values

The project's financial assets and liabilities included in the Statement of Financial Position are carried at their net fair value. Refer to Note 1 for the methods and assumptions adopted in determining net fair values for sandalwood trees.

#### (c) Sensitivity Analysis – Foreign currency risk, Price risk, Heartwood oil yield, Discount rate risk

The entity has performed a sensitivity analysis relating to its exposure to foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change to these risks.

#### *Foreign currency risk sensitivity analysis*

At 30 June 2014, the effect on profit and equity as a result of changes in the after tax value of the Australian dollar to the US Dollar, with all other variables remaining constant would be as follows:

|                                   | 2014      | 2013      |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| Change in profit                  |           |           |
| - improvement in AUD to USD by 5% | (378,875) | (449,093) |
| - decline in AUD to USD by 5%     | 378,875   | 449,093   |
| Change in equity                  |           |           |
| - improvement in AUD to USD by 5% | (378,875) | (449,093) |
| - decline in AUD to USD by 5%     | 378,875   | 449,093   |

#### *Price risk sensitivity analysis*

At 30 June 2014, the effect on profit and equity as a result of changes in the after tax price risk, with all other variables remaining constant would be as follows:

|  | 2014      | 2013      |
|--|-----------|-----------|
|  | \$        | \$        |
| Change in profit                               |           |           |
| - increase in sandalwood oil price by \$100/kg | 285,634   | 328,375   |
| - decrease in sandalwood oil price by \$100/kg | (285,634) | (328,375) |
| Change in equity                               |           |           |
| - increase in sandalwood oil price by \$100/kg | 285,634   | 328,375   |
| - decrease in sandalwood oil price by \$100/kg | (285,634) | (328,375) |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

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### 14. FINANCIAL RISK MANAGEMENT – CON'T

#### *Heartwood oil yield sensitivity analysis*

At 30 June 2014, the effect on profit and equity as a result of changes in the after tax heartwood yield risk, with all other variables remaining constant would be as follows:

|  | 2014      | 2013      |
|--|-----------|-----------|
|  | \$        | \$        |
| Change in profit                         |           |           |
| - increase in heartwood oil yield by 10% | 698,625   | 830,214   |
| - decrease in heartwood oil yield by 10% | (698,625) | (830,214) |
| Change in equity                         |           |           |
| - increase in heartwood oil yield by 10% | 698,625   | 830,214   |
| - decrease in heartwood oil yield by 10% | (698,625) | (830,214) |

#### *Discount rate risk analysis*

At 30 June 2014, the effect on profit and equity as a result of changes in the after tax discount rate risk, with all other variables remaining constant would be as follows:

|                                   | 2014      | 2013      |
|-----------------------------------|-----------|-----------|
|                                   | \$        | \$        |
| Change in profit                  |           |           |
| - increase in discount rate by 2% | (758,898) | (998,628) |
| - decrease in discount rate by 2% | 879,628   | 1,171,120 |
| Change in equity                  |           |           |
| - increase in discount rate by 2% | (758,898) | (998,628) |
| - decrease in discount rate by 2% | 879,628   | 1,171,120 |

### 15. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities during the period ended 30 June 2014.

### 16. PROJECT DETAILS

The registered office of the project is:

169 Broadway  
Nedlands WA 6009

The principal places of project are

Head Office  
169 Broadway  
Nedlands WA 6009

Plantation  
Lot 794, Weaber Plains Road  
Kununurra WA 6743

## **DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2014**

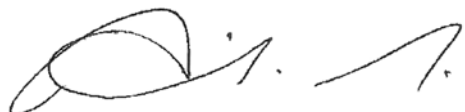
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In accordance with a resolution of the directors of TFS Properties Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the registered project are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the registered project's financial position as at 30 June 2014 and its performance, as represented by the results of its operations and its cash flows for the period ended on that date; and
  - (ii) complying the Accounting Standards and the Corporations Regulations; and
  - (iii) the financial statements are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board
- (b) there are reasonable grounds to believe that the registered project will be able to pay its debts as and when they become due and payable.

On behalf of the board  
TFS Properties Ltd



**Patrick O'Connor - Chairman**  
Dated at Perth this 28<sup>th</sup> day of October 2014



To The Board of Directors

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

As lead audit director for the audit of the financial statements of TFS Premium Sandalwood Project 2004 for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**MARK DELAURENTIS CA**  
**Director**

Dated at Perth this 28<sup>th</sup> day of October 2014