



T.F.S. SANDALWOOD PROJECT 2011

A.R.S.N: 150 211 171

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

In 2017 TFS Corporation was re-named to Quintis Limited. Existing TFS Sandalwood projects up until 2016 will continue to be named 'TFS Sandalwood Project'. New Sandalwood projects from 2017 onwards will be named 'Quintis Sandalwood Album Project'.

As part of the name change to Quintis Limited, TFS Properties Ltd was re-named to Sandalwood Properties Ltd. Sandalwood Properties Ltd remains the responsible entity for all TFS Sandalwood Projects and future Quintis Sandalwood Album Projects.



**WE ARE THE WORLD'S ONLY TRUSTED GUARDIAN OF THIS
PRECIOUS SUPER-INGREDIENT, SANDALWOOD ALBUM.**

TFS SANDALWOOD PROJECT 2011
A.R.S.N: 150 211 171

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

CONTENTS

	PAGE
RESPONSIBLE ENTITY'S REPORT	1-3
INDEPENDENT AUDITOR'S REPORT	4-5
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN GROWERS' FUND	8
STATEMENT OF CASH FLOWS	9
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	10-25
DIRECTORS' DECLARATION	26
AUDITOR'S INDEPENDENCE DECLARATION	27

RESPONSIBLE ENTITY'S REPORT

The Directors of TFS Properties Ltd (ACN 093 330 977) as responsible entity for TFS Sandalwood Project 2011 ("the project"), submit their report for the year ended 30 June 2015.

Directors

The names of the Directors of TFS Properties Ltd during the year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Dalton Gooding (Chairman) (Appointed 16 October 2014)
Mr Frank Wilson (Chief Executive Officer)
Mr Julius Matthys (Deputy Chairman)
Mr John Groppoli (Appointed 10 October 2014)
Ms Gillian Franklin (Appointed 1 December 2014)
Mr Michael Kay (Appointed 16 February 2015)
Mr Patrick O'Connor (Resigned 15 December 2014)
Mr Ronald Eacott (Resigned 28 November 2014)
Mr Stephen Atkinson (Resigned 1 September 2014)

Principal Activities

The project is a Managed Investment Scheme for the purposes of the Corporations Act 2001 and is regulated by the project's Constitution and the Corporations Act 2001. The project represents the growers' interests in the sandalwood lots issued under the project held by growers in the project and managed by the responsible entity as a single commercial plantation for the benefit of the growers.

Change of State of Affairs

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

Results of Operations

The project made a profit for the year ended 30 June 2015 of \$2,456,545 (2014: \$173,829).

This is due to the increment in the valuation of the sandalwood trees during the period which was mainly attributable to a more favourable exchange rate, a higher oil price and a fair value gain due to a shorter period to harvest.

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

- Tree survival rate currently 80.4%, which is below original target for the project; and
- No change in the expected heartwood yield per tree since the previous year, currently at a weighted average of 15.7kg per tree (at 25% moisture content).

All of the projects lots were planted in dry season 2012.

In August 2015, the second sale of sandalwood which had been grown on a plantation operated by the manager and owned by growers was completed. TFS marketed the grower owned wood in India, China and Australia and received 4 different bids. TFS has acquired the grower owned wood for \$123 per kg of heartwood. The assumptions used to value the Biological Assets in this project are comparable to the sales price received for the second harvest.

The valuation methodology and assumptions used to value the project's biological assets are set out in detail in Note 2. The plantation for the current year uses an oil price of US\$2,800 per kg (30 June 2014: \$2,500 per kg). The increase reflects the appreciating value of sandalwood oil as evidenced by the actual sales achieved by an associate of the manager and industry projections.

Likely Developments and Expected Results

The investment strategy of the scheme will be maintained in accordance with the scheme constitution and investment objectives as detailed in the Product Disclosure Statement.

RESPONSIBLE ENTITY'S REPORT

Project Property and Scope of Transactions

The scope of transactions recognised in the project financial statements only include that of the project property and do not include the Lease and Management agreement or specific alternative funding arrangements made between the grower and the responsible entity.

At 30 June 2015 there were 525 units (1/6th ha) held by external investors in the project. In addition to this, the responsible entity or its associates held 5 units in the project.

The interests of the responsible entity or its associates have been reflected in these financial statements to ensure all interests, whether held by external investors or the responsible entity, in the project are treated in the same manner.

The net assets of the project at 30 June 2015 were \$12,835,643. These primarily consist of the valuation of the sandalwood trees held by investors. Sandalwood trees are measured at the Directors' assessment of their fair value less cost to sell at each reporting date. The fair value less cost to sell is determined as being the net present value of the expected future cash flows (discounted at a risk adjusted rate).

Expert Forester's Report

The following is an extract from a report prepared for the 30 June 2015 period by our independent expert forester, Mr Ray Fremlin:

This report reviews the status of the plantation managed by TFS under this project, and discusses the establishment and maintenance carried out by the company.

TFS 2011 is situated on the Ivanhoe Plain, north of Kununurra townsite. The property, known as Kimpton Farm is King Location 241 and the project is divided into three stands numbered 52A, 52B and 52C. The stands are now 4 years of age.

Each of the three stands was sprayed with a knockdown mixed with a residual herbicide to control weeds on three occasions during the year, plus weeds were slashed on two occasions in Stands 52A and 52B.

Agrifos was applied to each Stand in September 2014 and April 2015. This was done to prevent infection to the sandalwood by Phytophthora and Ganoderma species.

Following inundation in the wet season of 2013/2014, major works to realign the drainage system was completed. This appears to be effective although losses of sandalwood trees occurred during the year.

Cassia siamea was hedged and topped in all three stands to enable light to penetrate onto the sandalwood trees.

Each stand was irrigated on four occasions with between 2 and 3 mega litres/ha being applied at each occasion.

The decline in stocking can be attributed to the poor drainage that occurred during the wet season of 2013/2014.

The soil on Kimpton Farm is Cununurra Clay, a type favoured for sandalwood plantations. However, drainage issues have prevented maximum growth to occur and significant losses of sandalwood trees. In all other aspects this project is well managed.

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 have an effect on the project for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

Indemnification and Insurance of Directors and Officers

The constitution of the responsible entity requires it to indemnify all current and former officers under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the scheme.

RESPONSIBLE ENTITY'S REPORT

During or since the financial year, the Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company. The cover included professional indemnity as well as Directors and officers insurance.

The contract prohibits the disclosure of the nature of the liabilities or the amount of premium paid.

Indemnification of Auditors

To the extent permitted by law, the responsible entity has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Events After the Reporting Period

Since 30 June 2015, 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.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2015 has been received and can be found on page 27 of the report.

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

A handwritten signature in dark ink, consisting of a large loop followed by a horizontal stroke.

Dalton Gooding – Chairman

Dated at Perth this 28th day of October 2015

Independent auditor's report to the growers of TFS Sandalwood Project 2011

Report on the financial report

We have audited the accompanying financial report of TFS Sandalwood Project 2011 ("the registered scheme"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in growers' funds and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 controls relevant to the responsible 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 responsible entity's internal controls. 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.


Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Responsible Entity's report.

Opinion

In our opinion:

- a. the financial report of the registered scheme 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 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



Ernst & Young



T G Dachs
Partner
Perth
28 October 2015

TFS SANDALWOOD PROJECT 2011
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 \$	30 June 2014 \$ Restated*
Other income			
Net movement in value of biological assets	2	2,456,545	173,829
Expenses			
Other expenses		-	-
Operating profit		2,456,545	173,829
Income tax		-	-
Net profit for the year		2,456,545	173,829
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,456,545	173,829

** Certain comparative figures have been amended. The changes have not impacted the previously reported value of the growers' lots. Refer to Note 1(a)*

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

**TFS SANDALWOOD PROJECT 2011
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	30 June 2015 \$	30 June 2014 \$ Restated*
Current Assets			
Other assets		-	-
Non Current Assets			
Biological assets	2	12,835,643	10,379,098
Total Assets		12,835,643	10,379,098
Current Liabilities			
Other liabilities		-	-
Total Liabilities		-	-
Net Assets		12,835,643	10,379,098
Growers' Funds			
Contributions from growers	3	6,493,725	6,493,725
Undistributed income reserve	4	6,341,918	3,885,373
Total Growers' Funds		12,835,643	10,379,098

** Certain comparative figures have been amended. The changes have not impacted the previously reported value of the growers' lots. Refer to Note 1(a)*

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

**TFS SANDALWOOD PROJECT 2011
STATEMENT OF CHANGES IN GROWERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Contributions From Growers \$	Undistributed Income Reserve \$	Total \$
Balance at 1 July 2013		-	10,205,269	10,205,269
Changes in comparative numbers described in note 1		6,493,725	(6,493,725)	-
Restated balance at 1 July 2013 *		6,493,725	3,711,544	10,205,269
Total comprehensive income for the year		-	173,829	173,829
Restated balance at 30 June 2014*		6,493,725	3,885,373	10,379,098
Balance at 1 July 2014		6,493,725	3,885,373	10,379,098
Total comprehensive income for the year		-	2,456,545	2,456,545
Balance at 30 June 2015		6,493,725	6,341,918	12,835,643

** Certain comparative figures have been amended. The changes have not impacted the previously reported value of the growers' lots. Refer to Note 1(a)*

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

TFS SANDALWOOD PROJECT 2011
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 \$	30 June 2014 \$
Cash flows from operating activities			
Receipt from growers		-	-
Payments to suppliers		-	-
		-	-
Net movement in cash held		-	-
Cash at the beginning of the year		-	-
		-	-
Cash at the end of the year		-	-

All cash transactions during the year were 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 note

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the TFS Sandalwood Project 2011 ('the project'). The project is a Managed Investment Scheme registered in Australia. The project represents the growers' interests in the sandalwood lots in the project plantation which is managed by the responsible entity as a single commercial plantation for the benefit of the growers.

Growers include interests held by the responsible entity or its associates. Accordingly, the financial statements include the interest of all 530 sandalwood lots.

Under the scheme, growers enter into a lease and management agreement with the responsible entity and T.F.S. Leasing Pty Ltd (a related entity of the responsible entity). Under the lease and management agreement, the grower sub-leases their sandalwood lot(s) from T.F.S. Leasing Pty Ltd and appoints the responsible entity to plant the trees on the lot, manage the trees on the lot, harvest the trees on the lot (not applicable where the grower is an electing grower as defined below), sell the grower's share of the harvest from the plantation in consideration of the grower agreeing to pay establishment fees, annual lease and management fees, a harvest fee and (not applicable where the grower is an electing grower), a sales and marketing fee.

A grower is a non-electing grower unless they have elected to collect their share of the plantation harvest in which case they are an electing grower.

Each grower has an interest in the harvest from the plantation based on the proportion by which the number of sandalwood lots sub-leased by the grower related to the total number of sandalwood lots sub-leased by all growers. Electing growers have the right to collect and dispose of their share of the harvest. A non-electing grower's share of the harvest is pooled with other non-electing grower's shares and is sold for the non-electing growers by a related entity of the responsible entity and the grower is entitled to a share of the net proceeds from the sale.

The scope of transactions recognised in the project financial statements only include that of the project property and do not include the Lease and Management Agreement or specific alternative funding arrangements made between the grower and the responsible entity.

The financial report was authorised for issue on 28 October 2015 by the Board of Directors.

Basis of Preparation

These general purpose financial report for the year ended 30 June 2015 have been prepared in accordance with requirements of the Corporations Act 2001, Australian Accounting Standards applicable to for profit entities and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on historical costs, except for the project's sandalwood tree plantations (which are biological assets) which have been measured at fair value less cost to sell. This report does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollars unless otherwise stated.

(a) Restatement of comparative figures

(i) Transactions arising from the Lease and Management Agreement

In prior periods, transactions arising from the Lease and Management Agreement and other associated charges made between the grower and the responsible entity was included in the scope of transactions recognised in the project financial statements. These transactions have now been excluded from the scope of transactions recognised in the project financial statements. The Directors do not believe the annual payments made by the growers to the responsible entity become project property. Rather they are paid to and received by the responsible entity as rent and fees in discharge of a grower's individual obligation to pay such amounts and are not pooled with other amounts receivable from the growers.

Prior period comparatives have been restated accordingly. This did not have any impact on the net assets or net profit result of the project previously disclosed as the balances excluded offset each other.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Establishment fee received

Upon commencement, each grower pays to the responsible entity establishment fees. In accordance with the project Constitution, the responsible entity is required to hold the establishment fees in a separate trust account as project property until the responsible entity has accepted the application and satisfied the conditions set out in the project Constitution relating to the release of establishment fees. Upon release, the establishment fees are applied to the payment of initial project management fees and establishment of the sandalwood plantation.

In prior periods, establishment fees received from growers were recognised as revenue of the scheme. These transactions should be reclassified to equity contributions from growers who represent equity participants of the project.

Prior period comparatives have been restated accordingly. This change has not impacted the value of the lots owned by growers. This resulted in a decrease in retained earnings of \$6,493,725 at 30 June 2013 and an increase in contributed equity of an equivalent amount. There was no impact on the net assets of the project previously disclosed.

(iii) Sandalwood lots held by the responsible entity or its associates

In prior periods, interests in the project held by the responsible entity or its associates were not being reflected in the financial statements. In this report the interests of the responsible entity or its associates have been included as project property and treated in the same manner as the interest of external investors. Prior period comparatives have been restated accordingly. This change has not impacted the value of the lots owned by growers.

The result of this change is an increase in biological assets of \$118,762 at 30 June 2015 (2014: \$100,700 and 2013: \$Nil) and an increase in total growers' fund of an equivalent amount at each reporting date.

(b) Biological Assets

Sandalwood trees are measured at the responsible entity's Director's assessment of their fair value less cost to sell at each reporting date. The fair value less cost to sell 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 less cost to sell of the sandalwood trees are recognised as income or expenses in profit or loss, determined as the difference between the total fair values less cost to sell of the trees recognised as at the beginning of the year and the total fair values less cost to sell of the trees recognised as at the reporting date.

Key assumptions used to value the trees are set out in Note 2.

Plantations which are expected to be harvested, processed and monetised within 12 months are classified as a current asset. All other biological assets are classified as a non-current asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(c) Significant Accounting Judgements, Estimates and Assumptions

The Directors of the responsible entity make estimates and judgements 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 and Judgement – Biological Asset valuation

As referred to in Note 1(b), as required under Australian Accounting Standards the Directors have made an estimate as to the fair value less cost to sell of the standing sandalwood trees held by the project from year one through to harvest. The carrying value of the sandalwood trees at the reporting date is shown in Note 2. The fair value less cost to sell is calculated as the net present value of expected future cash flows. The biological asset valuation is sensitive to estimates used in calculating the expected future cash flows which include key assumptions on yields of heartwood, oil content, survival rates and the number of trees, as well as assumptions as to the future price of sandalwood oil and the USD exchange rate.

Predicting the future heartwood yield requires significant judgement and estimation over the expected pattern of growth and survival rate of the sandalwood trees. TFS has formulated statistical yield curves using a combination of historical data and scientific research conducted by the State Government in the Ord River region. Trees are assigned to a standard yield curve until they reach five years of age, at which time they are re-assigned to a yield curve based on a key measurement which research has shown to be highly correlated to heartwood content. Thereafter, the survival rate and growth of trees is tracked against their assigned yield curves using measurement data collected during a statistically based annual inventory sample count undertaken by independent experts. Growth and survival rates are affected by a number of factors including soil type, weather conditions, host management and irrigation. Significant judgement is required in determining adjustments to assigned yield curves as a result of the annual inventory count.

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.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the biological asset valuation, which in turn could impact future financial results.

Key Judgement – Classification of growers' funds

The Growers' interest in the scheme is classified as equity because in accordance with the Scheme's Constitution, the distributable income of the Scheme is fully distributed on a pro rata basis to growers only at the maturity of the project plantation when the harvest of the sandalwood lots occur and the Scheme is liquidated. Apart from the contractual obligation for the Scheme to sell the harvested trees and distribute the proceeds, the Scheme does not have any contractual obligation to deliver cash or another financial asset to the growers or to exchange financial assets or financial liabilities with the growers under conditions that are potentially unfavourable to the Scheme.

Key judgement – Transactions arising from the Lease and Management Agreement

Under the scheme, growers enter into a lease and management agreement with the responsible entity and T.F.S. Leasing Pty Ltd (a related entity of the responsible entity). Under the lease and management agreement, the grower sub-leases their sandalwood lot(s) from T.F.S. Leasing Pty Ltd and appoints the responsible entity to plant the trees on the lot, manage the trees on the lot, harvest the trees on the lot (not applicable where the grower is an electing grower as defined below), sell the grower's share of the harvest from the plantation in consideration of the grower agreeing to pay establishment fees, annual lease and management fees, a harvest fee and (not applicable where the grower is an electing grower), a sales and marketing fee.

Transactions arising from the Lease and Management Agreement and other associated charges made between the grower and the responsible entity have been excluded from the scope of transactions recognised in the project financial statements. The Directors do not believe the annual payments made by the growers to the responsible entity become project property. Rather they are paid to and received by the responsible entity as rent and fees in discharge of a grower's individual obligation to pay such amounts and are not pooled with other amounts receivable from the growers.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. For harvested trees cost is fair value less estimated costs to sell at the point of harvest plus harvesting, conversion, and processing costs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) 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.

(f) Impairment of Non-financial Assets

At each reporting date, the responsible 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. Where it is not possible to estimate the recoverable amount of an individual asset, the responsible entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

(g) Fair value measurement

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

The responsible entity has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation reports is used to measure fair values, then management assesses 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 responsible entity uses market observable data as far as possible. Fair values of assets or liabilities are categorised into different levels in the fair value hierarchy based on the lowest input 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 project 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 Note 2: Biological Assets.

(h) Contributions from growers

Growers are equity participants and are issued grower lots which confer upon the Grower an equal interest in the Scheme and are of equal value. Grower contributions are accounted for as equity contributions. Each grower lot also entitles to Grower to one vote at meetings of Growers. The rights, obligations and restrictions attached to each grower lot are identical in all respects.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) New Accounting Standards for Application in Future Periods

The following standards and interpretations were applied for the first time by the project during the year which resulted in changes to presentation and disclosures but had no material impact on the financial position or financial performance of the project.

Reference	Title	Application date of standard	Application date for Project
AASB 2012-3	<i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i> AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right o" set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i> AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 1031	<i>Materiality</i> The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 January 2014	1 July 2014
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.	1 January 2014	1 July 2014
AASB 2014-1– Part A -Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> . Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: <ul style="list-style-type: none"> ▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets. ▶ AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ▶ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 <i>Related Party Disclosures</i> for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. 	1 July 2014	1 July 2014

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Application date of standard	Application date for Project
AASB 2014-1–Part A -Annual Improvements 2011–2013 Cycle	<p>Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:</p> <ul style="list-style-type: none"> ▶ –AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ▶ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3. 	1 July 2014	1 July 2014

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the project are set out below. The project does not plan to adopt these standards early and their impact has yet to be assessed.

Reference	Title	Summary	Application date of standard	Application date for Project
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. 	1 January 2018	1 July 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date of standard	Application date for Project
		<p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss 		
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	1 January 2018	1 July 2018
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date of standard	Application date for Project
AASB 15	Revenue from Contracts with Customers	<p>In May 2014, the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>, which replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC-31 <i>Revenue—Barter Transactions Involving Advertising Services</i>).</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>Performance obligations will need to be identified at contract inception and determined based on contractual terms and customary business practice with a focus on whether the good or service is capable of being distinct and whether the good or service is distinct in the context of the contract. Under the standard, variable consideration are also estimated and included in the transaction price using either the expected value approach or the most likely amount approach, whichever best predicts the consideration to which the entity is entitled.</p>	1 January 2017	1 July 2017
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	<p>AASB 2014-9 amends AASB 127 <i>Separate Financial Statements</i>, and consequentially amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>AASB 2014-9 also makes editorial corrections to AASB 127.</p> <p>AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and</p> <p>(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	1 January 2016	1 July 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date of standard	Application date for Project
		<p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>		
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i></p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p><i>AASB 7 Financial Instruments: Disclosures:</i></p> <ul style="list-style-type: none"> Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to <i>AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p><i>AASB 119 Employee Benefits:</i></p> <ul style="list-style-type: none"> Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p><i>AASB 134 Interim Financial Reporting:</i></p> <ul style="list-style-type: none"> Disclosure of information 'elsewhere in the interim financial-report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 July 2016

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date of standard	Application date for Project
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	The amendment aligns the relief available in AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> in respect of the financial reporting requirements for Australian groups with a foreign parent	1 July 2015	1 July 2015

2. BIOLOGICAL ASSETS

	30 June 2015 \$	30 June 2014 Restated \$
Biological Assets		
Opening balance	10,379,098	10,205,269
Fair value adjustment	2,456,545	173,829
Closing balance	12,835,643	10,379,098
(a) Physical quantity of Sandalwood trees planted and owned		
Number of sandalwood trees	33,588	38,541
Area under lease to growers (hectares)	88.4	88.4
Total number of sandalwood lots held by Growers in project (units)	530	530

(i) Fair Value Hierarchy

The fair value measurements for biological assets of \$12.836m, (2014: \$10.379m) have been categorised as Level 3 on the inputs to the valuation techniques used.

The information at Note 2(c) shows the valuation techniques used in measuring fair value less costs to sell, as well as the significant observable and unobservable inputs used.

(b) Nature of Asset

Investors in the TFS Sandalwood Project 2011 who are referred to as growers subscribed for sandalwood lots of one-sixth of a hectare each upon which sandalwood trees have been established.

The sandalwood plantation is situated King Location 241 on the Ivanhoe Plain. This location is within 30 kilometres from the Western Australian township of Kununurra.

The land upon which the sandalwood plantation is located is owned or leased by an associate of 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 30 June 2026.

The fair value less cost to sell of the sandalwood trees has been determined by the Directors' valuation in accordance with the Australian Accounting Standards.

The valuation does not take into consideration the terms of the Lease and Management Agreement growers have entered into with the responsible entity nor funding arrangements which may exist between the grower and the responsible entity.

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

(c) 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 cost estimates until harvest. The expected net cash flows are discounted using a risk-adjusted discount rate.

Significant Observable Inputs

(i) US Dollar exchange rate used is constant through the valuation model at 1.297 AUD being the spot exchange rate at balance date (2014: 1.061 AUD).

2. BIOLOGICAL ASSETS

Significant Unobservable Inputs

- (i) The trees will be harvested within 14 years of being planted.
- (ii) Forecast of heartwood production at weighted average of 15.7kg (2014: 15.7kg) per sandalwood tree at a 25% moisture content.
- (iii) Projected oil content from the heartwood of 3.7% (2014: 3.7%) from forecast heartwood at a moisture content of 25%.
- (iv) The price of sandalwood oil is determined with due consideration to market transactions and industry projections, arriving at an estimate of \$2,800 USD/kg (June 2014: \$2,500 USD/kg) and not inflated.
- (v) The costs consist of growing, harvesting, processing and marketing and sales cost, including:
 - Harvesting and processing (oil extraction) costs, estimated at \$16,000 (2014: \$16,000) per hectare and \$207 (June 2014: \$207) per litre of oil; and
 - Marketing and sales costs, estimated at 5% (2014: 5%) of proceeds.
 - Harvesting and processing (oil extraction cost) are held constant in real terms with an annual inflation rate of 3.0% (June 2014: 3.0%).
- (vi) The post-tax average real rate at which the net cash flows have been discounted range between:
 - 14% (June 2014: 14%) for trees aged 0 to 5 years;
 - 13% (June 2014: 13%) for trees aged 6 to 10 years; and
 - 12% (June 2014: 12%) for trees aged 11 years and older.
- (vii) Cash flows exclude income taxes.

The fair value measurement of biological assets is sensitive to changes in the unobservable inputs which may result in a significantly higher or lower fair value measurement.

- An increase in heartwood production, oil content, sandalwood oil price would result in a higher fair value measurement
- A decrease in heartwood production, oil content, sandalwood oil price would result in a lower fair value measurement
- An increase in harvesting, processing, marketing or plantation maintenance costs would result in a lower fair value measurement
- A decrease in harvesting, processing, marketing or plantation maintenance costs would result in a higher fair value measurement
- A deferral in harvest year may result in higher heartwood production as a more mature tree is harvested, which may result in a higher fair value measurement

Refer to Note 11 for sensitivity analysis on the TFS interest in Biological Asset.

(d) Financial Risk

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

(i) Supply and demand risk

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

(ii) Climate and other risks

The project's sandalwood plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The project has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The project is also insured against certain natural disasters such as fire and wind damage. The insured value of the plantation under the project's existing insurance policy is less than the fair value of these plantations, but greater than the cost of re-establishing the plantation.

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

(iv) 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.

2. BIOLOGICAL ASSETS

(e) Encumbrances on biological assets

Trees may be encumbered depending on growers' specific funding arrangements. The trees of growers with loans through Arwon Finance (related entity) or other external 3rd parties are encumbered as the trees act as security over un-matured loans. Trees held directly through the responsible entity or its associate are encumbered to the extent of the terms over the 11% Senior Secured Note.

3. CONTRIBUTIONS FROM GROWERS

	30 June 2015 \$	30 June 2014 Restated \$
Opening balance	6,493,725	6,493,725
Closing balance	6,493,725	6,493,725

4. UNDISTRIBUTED INCOME RESERVE

	30 June 2015 \$	30 June 2014 Restated \$
Opening balance	3,885,373	3,711,544
Total comprehensive income for the period	2,456,545	173,829
Closing balance	6,341,918	3,885,373

5. OPERATING SEGMENTS

Identification of reportable segments

The responsible entity has identified one reportable segment for the project, being the financial investment industry, 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.

6. SUBSEQUENT EVENTS

Since 30 June 2015, 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.

7. FINANCIAL INSTRUMENTS

The project consists of no financial instruments.

8. RELATED PARTY DISCLOSURE

(a) Responsible Entity

The responsible entity of the TFS Sandalwood Project 2011 is TFS Properties Ltd, whose immediate and ultimate holding company is TFS Corporation Limited.

8. RELATED PARTY DISCLOSURE

(b) Directors and Key management

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

Mr Dalton Gooding (Chairman) (Appointed 16 October 2014)
Mr Frank Wilson (Chief Executive Officer)
Mr Julius Matthys (Deputy Chairman)
Mr John Groppoli (Appointed 10 October 2014)
Ms Gillian Franklin (Appointed 1 December 2014)
Mr Michael Kay (Appointed 16 February 2015)
Mr Patrick O'Connor (Resigned 15 December 2014)
Mr Ronald Eacott (Resigned 28 November 2014)
Mr Stephen Atkinson (Resigned 1 September 2014)

(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 growers during the year. Refer to Note 1(c) for additional detail on transactions arising from the lease and management agreement.

The responsible entity provides sandalwood plantation establishment and management services for TFS Sandalwood Project 2011 and carries out the custodial and administrative functions.

Transactions between TFS Sandalwood Project 2011 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

No lease interests are held by Directors or parties related to Directors on the same terms and conditions as other growers.

A total of 5 units are held by the responsible entity or its associate 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 directly, or its responsible entity to key management personnel.

9. COMPLIANCE MATTERS

(a) Compliance Committee

The Compliance Committee during the period consisted of:
Julius Matthys (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

\$5,790 (2014: \$6,265) (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 2015.

10. AUDITOR'S REMUNERATION

Ernst & Young 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 \$6,663.

Bentleys were the auditors of the project and the project's compliance plan in the prior year and received remuneration in relation to the project of \$4,690.

11. FINANCIAL RISK MANAGEMENT

Foreign Currency Risk

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

Price Risk

The project is exposed to commodity price risk in relation to its valuation of biological assets.

(a) Sensitivity Analysis – Foreign currency risk, Price risk, Heartwood yield risk and Discount rate

The following sensitivity analysis has been performed on the valuation of biological assets at balance date to illustrate the impact of changes in the foreign exchange rate, sandalwood oil prices, the heartwood yield and the discount rate on profit and equity. Variations to expected future cash flows, and timing thereof, could result in significant changes to the biological asset valuation, which in turn could impact future financial results.

Foreign Currency Risk Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of a change in the Australian dollar to US Dollar exchange rate, with all other variables remaining constant, would be as follows:

	2015 \$'000	2014 \$'000
Change in profit and equity		
- improvement in AUD to USD by 5%	(796)	(585)
- decline in AUD to USD by 5%	796	585

Heartwood Yield Risk Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of changes in the heartwood yield risk, with all other variables remaining constant would be as follows:

	2015 \$'000	2014 \$'000
Change in profit and equity		
- increase in heartwood yield by 10%	1,502	1,079
- decrease in heartwood yield by 10%	(1,502)	(1,079)

Price Risk Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	2015 \$'000	2014 \$'000
Change in profit and equity		
- increase in sandalwood oil price by \$100/kg	569	468
- decrease in sandalwood oil price by \$100/kg	(569)	(468)

Discount Rate Risk Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of changes in the discount rate risk, with all other variables remaining constant would be as follows:

	2015 \$'000	2014 \$'000
Change in profit and equity		
- increase in discount rate by 2%	(2,407)	(1,954)
- decrease in discount rate by 2%	2,984	2,455

12. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities during the year ended 30 June 2015.

13. COMPANY DETAILS

The registered office of the company and principal place of business is:

169 Broadway
Nedlands WA 6009

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and the Corporations Regulations 2001 and giving a true and fair view of the financial position as at 30 June 2015 and performance of the Scheme for the year then ended.

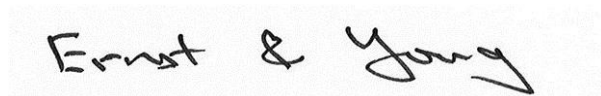
On behalf of the Board
TFS Properties Ltd

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke.

Dalton Gooding – Chairman
Dated at Perth this 28th day of October 2015

Auditor's Independence Declaration to the Directors of TFS Properties Ltd, as Responsible Entity for TFS Sandalwood Project 2011

In relation to our audit of the financial report of TFS Sandalwood Project 2011 for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



T G Dachs
Partner
28 October 2015