

# TFS SANDALWOOD PROJECT 2002

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR TO 30 JUNE 2005

## RESPONSIBLE ENTITY'S REPORT

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The Directors of TFS Properties Ltd (ACN 093 330 977), Responsible Entity for TFS Sandalwood Project 2002 ("the Project"), present their report together with the financial statements of the Project for the period ended 30 June 2005.

### Directors

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

Frank Cullity WILSON  
Graeme Eric SCOTT  
Stephen Lee ATKINSON  
Ronald Lionel EACOTT  
Blaine David KIDD  
Julius Luke MATTHYS  
Thomas Nash CULLITY

### Principal Activities

During the period the principal activity of the Project was the 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 and Likely Developments

The Project made a profit for the financial year ended 30 June 2005 of \$810,244 (2004: (\$512,307)).

This is due to the increment in the valuation of the sandalwood trees.

This Plantation was established in mid 2002 and is now 3 years of age. It has established well and is developing into a very good Plantation.

The price of Sandalwood continues to rise at the Indian auctions in Tamil Nadu and at the latest auction in July 2005, the price had risen to \$US68,000 per tonne on average.

This compares with an average price per tonne of \$US60,000 at the same auctions in January 2005.

An extract from a report on the Plantation by our independent expert forester, Mr Peter Kimber follows:

### Present State of the Plantation

A total count of the sandalwood trees in the plantation was made in 2004, revealing an average stocking level of 253 trees per hectare. This is lower than desirable, but it should nevertheless provide a reasonable harvest of heartwood in my opinion. In September 2004 a five percent sample of the sandalwood trees in Block 3 was measured with the following result:

- Average height of the sandalwood trees was 3.06 metres (tallest tree 4.7 metres)
- Average basal diameter was 5.34 centimetres (largest tree 8.5cm).

Both average height and basal diameter were greater than expected at this age.

Average basal diameter was 30 percent greater than the expected figure (on which future yields are based).

The short-term *Sesbania* hosts have almost entirely died out (note this is a planned mortality), however, the *Acacia trachycarpa* short-term hosts are still alive and well over most of the plantation and are still contributing to the well-being of the sandalwood trees.

TFS 2002 is one of the better sandalwood plantations with regard to the excellent balance of host trees to sandalwood trees and their growth rate.

### **Review of Plantation Management Activities**

Tractor access rows within the plantation, previously maintained by mechanical cultivation, were for the first time this year maintained in working order by slashing the weed growth on them, and then by spraying any regrowth of weeds with a contact herbicide. The use of systemic herbicides is banned in the plantation because of the risk of the chemical being transferred to sandalwood trees via root unions. A trial area of tractor access row was sown to agricultural Lucerne (alfalfa) as a weed control measure and as a contributor of nitrogen to the plantation. The trial was marginally successful and will now be repeated using different establishment techniques for the alfalfa.

Water supply channels, drains and access tracks into the plantation were maintained in a weed free condition throughout the year using both mechanical and chemical means of weed control.

The sandalwood trees were given their second pruning towards achieving a branch-free bole to a height of 2 to 2.5 metres.

Firebreaks of between 25 and 35 metres wide were maintained in a bare soil condition between the plantation and the adjacent native bush by periodic ploughing.

The plantation was irrigated throughout the dry season on a regular 4 to 5 week cycle. Part of the plantation was temporarily given water every 2 to 3 weeks while the sandalwood trees were flowering in order to encourage fruit set.

The number of irrigations was substantially greater than in normal years due to the very short wet season.

Soil moisture monitoring using a "Diviner 2000" probe was continued throughout the year. We are now close to having enough data to calibrate the probe for using it as an indicator as to when irrigation is needed.

Regular inspections of the host trees were carried out every 10 days to 2 weeks to check for any signs of insect damage to the trees. When populations of injurious insects start to build up the plantations are sprayed to reduce their numbers.

A trial introduction of biological control using predatory insects was attempted during the year but it is yet too early to expect results.

### **Conclusion**

As reported in the report for the period ending 31 December 2004 the TFS Sandalwood Project 2002 Plantation is continuing to develop well, but still has a lower than desirable stocking of sandalwood trees. A close watch continues to be maintained to identify early any future infestations so that they can be more easily controlled.

### **Balance of Interests**

As at 30 June 2005, the balance of lease interests held by Growers is 317 (30 June 2004: 317).

### **Interests Held by Responsible Entity and Related Parties**

At 30 June 2005, 63 lease interests are held by Related Parties.

Of the lease interests held by related parties, 2 are a result of the termination of "Growers Agreements" due to a failure to pay lease and management fees when they are due.

### **Environmental Regulations**

The Project is not subject to any significant environmental regulations under any State, Commonwealth or Territory Law.

## RESPONSIBLE ENTITY'S REPORT (CONTINUED)

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### **Fees Paid to Responsible Entity and Associates**

Fees of \$196,602 were paid to TFS Properties Ltd, Responsible Entity of TFS Sandalwood Project 2002, for provision of its services during the period ended 30 June 2005 (period ended 30 June 2004: \$249,278).

### **Insurance of Officers of the Company or Auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Responsible Entity or the Project, other than the following.

The company that is related to the Responsible Entity 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 Responsible entity. The cover included professional indemnity as well as directors and officers insurance. The total amount of the premium paid was \$66,550.

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

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 16 of the financial report.

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



**Graeme Eric Scott**

Perth, 30 September 2005



## Independent Auditor's Report

### To the Members of TFS Sandalwood Project 2002

#### Scope

##### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for TFS Sandalwood Project 2002 (the Project), for the year ended 30 June 2005.

The directors of the responsible entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Project. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Project's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

#### Independence

We are independent of the Project, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out on page 16 of the financial report has not changed as at the date of providing our audit opinion.

# **Independent Auditor's Report**

To the Members of TFS Sandalwood Project 2002 (CONTINUED)

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## **Audit Opinion**

In our opinion, the financial report of TFS Sandalwood Project 2002 is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Project's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



**RIX LEVY FOWLER**  
Chartered Accountants



**PHILLIP RIX** FCA, A.S.I.A.  
Partner

DATED at PERTH this 30<sup>th</sup> day of September 2005

TFS SANDALWOOD PROJECT 2002  
 STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE YEAR TO 30 JUNE 2005

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	NOTE	2005 \$	2004 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Establishment fees		-	-
Lease & management fees		196,602	249,278
Interest received		3	57
Net increment in net value of sandalwood trees		810,244	(512,307)
		<u>1,006,849</u>	<u>(262,972)</u>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Accounting fees		1,500	2,775
Audit fees		2,000	4,125
Bad / Doubtful debts		25,324	-
Bank charges		24	244
Compliance committee remuneration		4,485	6,800
Filing fees		650	1,033
Leasing fees		57,488	81,556
Management expenses		139,114	167,722
Reimbursement of expenses by the responsible entity		(33,980)	(14,920)
		<u>196,605</u>	<u>249,335</u>
<b>NET OPERATING INCOME FROM ORDINARY ACTIVITIES</b>		<u>810,244</u>	<u>(512,307)</u>

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

TFS SANDALWOOD PROJECT 2002  
STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2005

	NOTE	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash	2	-	440
Receivables	3	80,996	113,708
Other	4	85,321	85,321
<b>TOTAL CURRENT ASSETS</b>		<b>166,317</b>	<b>199,469</b>
<b>NON CURRENT ASSETS</b>			
Sandalwood Trees	5	4,107,984	3,297,740
Other	4	560,988	650,309
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,668,972</b>	<b>3,948,049</b>
<b>TOTAL ASSETS</b>		<b>4,835,289</b>	<b>4,147,518</b>
<b>CURRENT LIABILITIES</b>			
Payables	6	80,996	114,148
Unearned Income	7	85,321	85,321
<b>TOTAL CURRENT LIABILITIES</b>		<b>166,317</b>	<b>199,469</b>
<b>NON CURRENT LIABILITIES</b>			
Unearned Income	7	560,988	650,309
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>560,988</b>	<b>650,309</b>
<b>TOTAL LIABILITIES</b>		<b>727,305</b>	<b>849,778</b>
<b>NET ASSETS</b>		<b>4,107,984</b>	<b>3,297,740</b>
<b>GROWERS' FUNDS</b>			
Undistributed income reserve	8	4,107,984	3,297,740
<b>EQUITY</b>		<b>4,107,984</b>	<b>3,297,740</b>

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

TFS SANDALWOOD PROJECT 2002  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR TO 30 JUNE 2005

	NOTE	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Inflows</u>			
Receipts from growers		159,653	235,887
Interest received		3	57
<u>(Outflows)</u>			
Payments to suppliers		(160,072)	(236,887)
Bank charges		(24)	(244)
	10(b)	(440)	(1,187)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>			
Payment for establishment of plantations		-	-
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
Other		-	-
<b>Net increase / (decrease) in cash held</b>		(440)	(1,187)
<b>Cash at beginning of financial year</b>		440	1,627
<b>Cash at end of financial year</b>	10(a)	0	440

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 30 JUNE 2005

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Project's constitution and the requirements of the Corporations Act 2001, which includes applicable accounting standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for Sandalwood trees (which are self-generating assets), which are recorded at net market value.

### (b) 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. Specific revenues are recognised as follows.

Operations revenue:

- Sandalwood Lot sales (Establishment Fees) are recognised as revenue on acceptance of the application by the Responsible Entity.
- Lease and Management Fees are recognised as revenue in the period to which they relate.

### (c) Sandalwood Trees

Sandalwood trees are measured at their market value at each reporting date. The net market 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 market value of the Sandalwood trees are recognised as revenues or expenses in the Statement of Financial Performance, determined as:

- (i) the difference between the total net market values of the trees recognised as at the beginning of the period and the total net market values of the trees recognised as at the reporting date; less
- (ii) costs incurred during the reporting period to acquire and plant Sandalwood trees.

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 net market values.

### (d) Income Tax

Under current legislation, the scheme 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.

### (e) Cash and 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) Receivables

Receivables are recognised and carried at original invoice amount, or the amount due less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

### (g) 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. Payables to related parties are carried at the principal amount.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2005 (CONTINUED)

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### **(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.

### **(j) Adoption of Australian Equivalents to International Financial Reporting Standards**

The responsible entity is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the scheme's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The responsible entity's management are assessing the significance of these changes and preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors of the responsible entity are of the opinion that there are no material differences in the accounting policies on conversion to AIFRS. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work being performed by the responsible entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR TO 30 JUNE 2005 (CONTINUED)

	NOTE	2005 \$	2004 \$
<b>2. CASH</b>			
Cash at bank		-	440
<b>3. RECEIVABLES</b>			
Outstanding fees (i)		106,320	113,708
Doubtful Debts		( 25,324 )	-
		<u>80,996</u>	<u>113,708</u>

(i) Outstanding fees represent moneys receivable from growers for the cost of establishment of the plantation. No interest has been charged on amounts due.

**4. OTHER ASSETS**

**Current**

Prepayments (i)		<u>85,321</u>	<u>85,321</u>
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**Non Current**

Prepayments (i)		<u>560,988</u>	<u>650,309</u>
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(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.

**5. SANDALWOOD TREES**

at cost of establishment (still to be planted at balance date)

		-	-
at net market value (planted at balance date)		<u>4,107,984</u>	<u>3,297,740</u>
		<u>4,107,984</u>	<u>3,297,740</u>

**(a) Physical quantity of sandalwood trees planted and owned**

Number of sandalwood trees		15,124	14,966
Area under lease (planted)		52.8	52.8
Area under lease (to be planted)		0.0	0.0
Growers in project (units)		317	317

**(b) Nature of Asset**

Investors in the TFS Sandalwood Project 2002 who are referred to as "Growers" subscribed for Sandalwood Lots of size one-sixth of a hectare each upon which Sandalwood trees have been established.

The Sandalwood plantation is situated at King Location 385, 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 30 June 2018.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR TO 30 JUNE 2005 (CONTINUED)

NOTE	2005 \$	2004 \$
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**(c) Significant Assumptions**

Significant assumptions made in determining the net market value of the trees are:

- 15% of the trees will be harvested and sold 13 years after planting;
- 30% of the trees will be harvested and sold 14 years after planting;
- 55% of the trees will be harvested and sold 15 years after planting;
- the price of Sandalwood is constant in real terms;
- the costs expected to arise on harvest are constant in relative terms; and
- the pre-tax average real rate at which the net cash flows have been discounted is at 17% per annum

Cash flows exclude income taxes and are expressed in real terms.

**6. PAYABLES**

Trust funds payable to responsible entity (i)	80,996	103,337
GST payable	-	4,816
Other	-	5,995
	<u>80,996</u>	<u>114,148</u>

(i) Trust funds payable to responsible entity represents the sum of monies payable by growers to the responsible entity under the lease and management agreement yet to be paid across. No interest in payable on outstanding amounts.

**7. UNEARNED INCOME**

**Current**

Prepaid lease & management fees	<u>85,321</u>	<u>85,321</u>
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**Non Current**

Prepaid lease & management fees	<u>560,988</u>	<u>650,309</u>
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**8. GROWERS FUNDS**

**Undistributed Income**

The undistributed income reserve contains realised and unrealised income and expenses that are not yet assessable/deductible.

Opening balance	3,297,740	3,810,046
Net operating income	810,244 (	512,306 )
Closing balance	<u>4,107,984</u>	<u>3,297,740</u>

**9. DISTRIBUTION PAID**

No distributions were payable or paid during the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR TO 30 JUNE 2005 (CONTINUED)

	NOTE	2005 \$	2004 \$
<b>10. STATEMENT OF CASHFLOWS</b>			
<b>(a) Reconciliation of cash</b>			
Cash balance comprises:			
Cash at bank		-	440
<b>(b) Reconciliation of net operating income to net cash flows from operating activities</b>			
Net operating income		810,244	(512,307)
Adjustments:			
(Increase) / decrease in net receivables		32,712	11,112
(Increase) / decrease in prepayments		89,321	24,503
(Increase) / decrease in market value of sandalwood trees		(810,244)	512,307
Increase / (decrease) in GST payable		(4,816)	(17,234)
Increase / (decrease) in payables		(28,336)	4,935
Increase / (decrease) in unearned income		(89,321)	(24,503)
<b>Net cash inflow / (outflow) from operating activities.</b>		<b>( 440 )</b>	<b>( 1,187 )</b>

**11. RELATED PARTY DISCLOSURE**

**(a) Responsible Entity**

The Responsible Entity of the TFS Sandalwood Project 2002 is TFS Properties Ltd, whose immediate and ultimate holding company is TFS Corporation Limited.

**(b) Directors of the Responsible Entity**

The Directors of the Responsible Entity during the period were:

Frank Cullity WILSON  
Graeme Eric SCOTT  
Stephen Lee ATKINSON  
Ronald Lionel EACOTT  
Blaine David KIDD  
Julius Luke MATTHYS  
Thomas Nash CULLITY

**(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 Sandalwood Project 2002 and carries out the custodial and administrative functions.

Transactions between TFS Sandalwood Project 2002 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 61 lease interests are held by Directors or parties related to Directors on the same terms and conditions as other Growers. No amount is outstanding at year end.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 JUNE 2005 (CONTINUED)

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## 12. COMPLIANCE MATTERS

### (a) Compliance Committee

The Compliance Committee during the period consisted of:

Graeme Scott (Chairman) – Director of TFS Properties Ltd  
Robert Marusco – Nissen Kestel & Harford  
John O'Brien – Hayes Knight GTO

The Compliance Officer during the period was Roger Pratt of Hayes Knight GTO.

### (b) Remuneration of Compliance Committee

\$4,485 (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 2005.

## 13. AUDIT

Rix Levy Fowler are the auditors of the Project and the Project's Compliance Plan.

## 14. SEGMENT INFORMATION

The Project operates in one industry segment, being investment activities and in one geographical segment, being Australia.

## 15. SUBSEQUENT EVENTS

Since 30 June 2005, 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.

## 16. FINANCIAL INSTRUMENTS

### (a) Interest Rate Risk

Interest rate risk is the risk that a financial investment's value will fluctuate as a result of changes in market interest rates. The Project's exposure to interest rate risk is as follows:

#### Financial Assets

Cash	\$0
Weighted average debit interest rate (p.a.)	0%
Weighted average credit interest rate (p.a.)	3.00%
Interest rate type	Variable

The Project had no other financial assets or financial liabilities with exposure to interest rate risk as at balance date.

### (b) 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 2005. A provision for doubtful accounts is recognised when collection of the full nominal amount is uncertain.

### (c) Net Fair Value

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.

## DIRECTORS' DECLARATION FOR THE YEAR TO 30 JUNE 2005

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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 scheme's financial position as at 30 June 2005 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
- (b) there are reasonable grounds to believe that the registered scheme will be able to pay its debts as and when they become due and payable.

On behalf of the Board  
TFS Properties Ltd



**GRAEME ERIC SCOTT**  
DIRECTOR

Dated: this 30<sup>th</sup> day of September 2005



To the Board of Directors of the Responsible Entity of TFS Sandalwood Project 2002

### Auditor's Independence Declaration

This declaration is made in connection with our audit of the financial report of TFS Sandalwood Project 2002 for the year ended 30 June 2005 and in accordance with the provisions of the Corporations Act 2001.

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

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

Yours faithfully

**RIX LEVY FOWLER**  
Chartered Accountants

**PHILLIP RIX FCA, A.S.I.A.**  
Partner

DATED at PERTH this 30<sup>th</sup> day of September 2005