

TFS SANDALWOOD PROJECT 2002

ANNUAL FINANCIAL REPORT
FOR THE PERIOD YEAR ENDED 30 JUNE 2004

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RESPONSIBLE ENTITY'S REPORT

The Directors of TFS Properties Ltd (ACN 093 330 977), Responsible Entity for TFS Sandalwood Project 2002 ("TFS 2002"), present their report together with the financial statements of the TFS Sandalwood Project 2002 ("the Project") for the period ended 30 June 2004.

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 establishment and management of a Sandalwood plantation.

Change of State of Affairs

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

Results of Operations and Likely Developments

The Project made a loss for the financial year ended 30 June 2004 of \$512,307.

This is due to a revaluation of the plantation.

This plantation was established in mid 2002 and is now 2 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 September 2004, on a relatively thin trade, the price had risen to \$US45,000 per tonne on average.

This compares with an average price per tonne of \$US35,000 at the same auctions in January 2003.

The following is an extract from a report on the plantation by our independent expert forester, Mr Peter Kimber:

Maintenance Works Done in the Last Year

Ongoing maintenance works carried out in the plantation include the cleaning and weeding of water supply channels and drains, grading access tracks, cultivating and cleaning irrigation furrows and tractor access rows and irrigating.

The plantation received a total of five irrigations in July, September, October and November 2003 and in May 2004. It is to be noted that between November 2003 and May 2004 the plantation received enough water from natural rainfall.

RESPONSIBLE ENTITY'S REPORT (CONTINUED)

Sandalwood trees were given their first of three prunings. Subsequent pruning will progressively develop a branch-free bole up to a height of approximately 2.5 metres.

Cathormium long-term hosts suffered a massive infestation of white fly and scale insects which proved difficult to control. Their numbers were eventually brought under control by an application of the systemic insecticide "Supracide".

A prophylactic aerial application of the fungicide "Agriphos 600" at the rate of 20 litres of chemical per hectare was given to the plantation to provide a resistance to infection by the root-rotting fungus *Phytophthora*.

Experimental infrastructure was established in another plantation close by TFS 2002 to collect data relating tree growth to soil moisture level as the soil moisture becomes depleted after an irrigation event. Measurements will be made in the latter part of the dry season 2004. The information collected from this exercise will provide guidelines as to the optimum time to irrigate, and it will be applicable to the TFS 2002 plantation.

Conclusion

As reported in the report for the period ending 31 December 2003 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.

To improve stocking rates in this project the Company has at its expense planted an additional 1,000 Sandalwood trees this year. The Company will monitor the success of this infilling program. If in the next 12 months stockings levels are still unsatisfactory, the Company will consider other options including planting an additional area.

Balance of Interests

As at 30 June 2004, the balance of lease interests held by Growers is 317 (30 June 2003: 317).

Interests Held by Responsible Entity and Related Parties

At 30 June 2004, 2 lease interests are held by the Responsible Entity (30 June 2003: nil) and 61 lease interests are held by Related Parties.

The lease interests held by the Responsible Entity are as a result of the termination of "Growers Agreements" due to a failure to pay lease and management fees when they were due, despite repeated requests, since the inception of the Project.

Environmental Regulations

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

Fees Paid to Responsible Entity and Associates

Fees of \$167,721.00 were paid to TFS Properties Ltd, Responsible Entity of TFS Sandalwood Project 2002, for provision of its services during the period ended 30 June 2004 (period ended 30 June 2003: \$228,075.00)

RESPONSIBLE ENTITY'S REPORT (CONTINUED)

Insurance of Officers of the Company or Auditors

Neither the Project nor TFS Properties Ltd has, during or since the end of the period, in respect of any person who is or has been an officer of TFS Properties Ltd or a related body corporate or auditor of the Project:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

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



Graeme Eric Scott

Perth, 6th December 2004



Rix Levy Fowler

CHARTERED BUSINESS ADVISORS

Partners:
Phillip Rix FCA
Ranko Matic CA
George Lazarou CA
Jon Carcich CA

Services:
Accounting
Audit & Assurance
Business Financing
Business Reviews
Corporate Secretarial
Financial Planning
IT Solutions
Superannuation
Taxation Planning

INDEPENDENT AUDIT 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 cashflows, accompanying notes to the financial statements, and the directors' declaration for TFS Sandalwood Project 2002 (the project), for the financial year ended 30 June 2004.

The directors of the responsible entity are responsible for the preparation and true and fair presentation of the project's 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the project's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors of the responsible entity.

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.

The audit opinion expressed in this report has been formed on the above basis.

Independence

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

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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 2004 and of their 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 professional reporting requirements in Australia.



RIX LEVY FOWLER
Chartered Business Advisors



PHILLIP RIX
Partner

DATED at PERTH this 6th day of December 2004

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$	2003 \$
REVENUE FROM ORDINARY ACTIVITIES			
Establishment Fees		-	396,500
Interest received		57	773
Net increment in net value of Sandalwood trees	1(c)	(512,307)	1,160,014
Lease & Management Fees		249,278	270,241
		<hr/>	<hr/>
		(262,972)	1,827,528
EXPENSES FROM ORDINARY ACTIVITIES			
Accounting fees		2,775	-
Audit fees		4,125	4,900
Bank charges		244	300
Compliance Committee remuneration		6,800	11,911
Filing fees		1,033	1,710
Leasing expenses		81,556	42,167
Management fees		167,722	228,075
Marketing expense		-	-
Reimbursement of expenses by Responsible Entity		(14,920)	(18,049)
		<hr/>	<hr/>
		249,335	271,014
NET OPERATING INCOME FROM ORDINARY ACTIVITIES		<u>(512,307)</u>	<u>1,556,514</u>

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

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2004

	Notes	2004 \$	2003 \$
CURRENT ASSETS			
Cash	2	440	1,627
Receivables	3	113,708	124,820
Other	4	<u>85,321</u>	<u>51,133</u>
TOTAL CURRENT ASSETS		<u>199,469</u>	<u>177,580</u>
NON CURRENT ASSETS			
Sandalwood trees	5	3,297,740	3,810,047
Other	6	<u>650,309</u>	<u>709,000</u>
TOTAL NON CURRENT ASSETS		<u>3,948,049</u>	<u>4,519,047</u>
TOTAL ASSETS		4,147,518	4,696,627
CURRENT LIABILITIES			
Payables	7	114,148	126,447
Unearned income	8	<u>85,321</u>	<u>51,133</u>
TOTAL CURRENT LIABILITIES		<u>199,469</u>	<u>177,580</u>
NON-CURRENT LIABILITIES			
Unearned income	9	<u>650,309</u>	<u>709,000</u>
TOTAL NON-CURRENT LIABILITIES		<u>650,309</u>	<u>709,000</u>
TOTAL LIABILITIES		<u>849,778</u>	<u>886,580</u>
NET ASSETS		<u>3,297,740</u>	<u>3,810,047</u>
GROWERS' FUNDS			
Undistributed income reserve	10	<u>3,297,740</u>	<u>3,810,047</u>
EQUITY		<u>3,297,740</u>	<u>3,810,047</u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Inflows</u>			
Receipts from Growers		235,887	2,691,016
Interest received		57	773
		<u>235,944</u>	<u>2,691,789</u>
<u>(Outflows)</u>			
Payments to suppliers		(236,887)	(1,055,124)
Bank charges		(244)	(300)
		<u>(237,131)</u>	<u>(1,055,424)</u>
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	12	<u>(1,187)</u>	<u>1,636,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>(Outflows)</u>			
Payment for establishment of plantations		-	(1,698,830)
NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES		<u>-</u>	<u>(1,698,830)</u>
NET INCREASE/(DECREASE) IN CASH HELD		(1,187)	(62,465)
Add opening cash brought forward		1,627	64,092
CLOSING CASH CARRIED FORWARD		<u>440</u>	<u>1,627</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

(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.

(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) Comparatives

The financial statements cover the period from 1 July 2003 to 30 June 2004. Comparative figures are shown for the period from 30 June 2002 to 30 June 2003.

(j) 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.

(k) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. Stakeholders will be kept informed as to the impact of these new standards on the financial statements as they are finalised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

	2004 \$	2003 \$
2. CASH		
Cash at bank	<u>440</u>	<u>1,627</u>
3. RECEIVABLES		
Outstanding fees (i)	<u>113,708</u>	<u>124,820</u>
	<u>113,708</u>	<u>124,820</u>

(i) Outstanding Establishment Fees represent monies receivable from Growers in accordance with the Lease and Management Agreement. No interest has been charged on amounts due.

4. OTHER ASSETS

Prepayments (i)	<u>85,321</u>	<u>51,133</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 management services are to be provided.

5. SANDALWOOD TREES

<i>at net market value</i>	<u>3,297,740</u>	<u>3,810,047</u>
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(a) Physical Quantity of Sandalwood Trees Owned

Number of Sandalwood trees	14,966	24,539
Area under lease (Ha)	53	53

(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 owned by the Responsible Entity. Growers lease the land from the Responsible Entity for the duration of the life 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)**

	2004 \$	2003 \$
(c) Significant Assumptions		
Significant assumptions made in determining the net market value of the trees are:		
<ul style="list-style-type: none"> • 15% of the trees will be harvested and sold in 2014/2015; • 30% of the trees will be harvested and sold in 2015/2016; • 55% of the trees will be harvested and sold in 2016/2017; • 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 are at 17% per annum. 		
Cash flows exclude income taxes and are expressed in real terms.		
6. OTHER ASSETS		
Prepayments (i)	650,309	709,000
(i) Prepayments represent Lease and Management Fees paid to the Manager in advance of the period in which the lease management services are to be provided.		
7. PAYABLES		
Accounts Payable		
Trust funds payable to Responsible Entity (i)	103,337	103,022
Australian Taxation Office (ii)	4,816	22,050
Other (iii)	5,995	1,375
	<u>114,148</u>	<u>126,447</u>
(i) Trust funds payable to Responsible Entity represent the sum of monies payable by Growers to the Responsible Entity under the Lease and Management Agreement yet to be paid across to the Responsible Entity. No interest is payable on outstanding amounts.		
(ii) Amount payable to Australian Taxation Office represents GST collected net of GST paid.		
(iii) Other represents compliance fees payable.		
8. UNEARNED INCOME (CURRENT)		
Prepaid Lease & Management Fees	<u>85,321</u>	<u>51,133</u>
9. UNEARNED INCOME (NON-CURRENT)		
Prepaid Lease & Management Fees	<u>650,309</u>	<u>709,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

	2004 \$	2003 \$
10. GROWERS' FUNDS		
Undistributed Income		
<i>Nature and purpose of reserve</i>		
The undistributed income reserve contains realised and unrealised income and expenses that are not yet assessable/deductible.		
Opening balance	3,810,046	2,253,532
Net operating income	<u>(512,306)</u>	<u>1,556,514</u>
Closing balance	<u><u>3,297,740</u></u>	<u><u>3,810,046</u></u>

11. DISTRIBUTIONS PAID AND PAYABLE

No distributions were payable or paid during the period.

12. STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Operating Income to the Net Cash Flows from Operating Activities

Net operating income	(512,307)	1,556,514
<u>Additions:</u>		
Increase in unearned income	-	599,383
Decrease in GST paid on operating expenses, not yet refunded	-	285
Decrease in net receivables	11,112	1,431,473
Decrease in prepaid expenses	24,503	-
Increase in Accounts Payable	4,935	1,375
Net movement in market value of Sandalwood Trees	<u>512,307</u>	<u>-</u>
	<u>552,857</u>	<u>2,032,516</u>
<u>(Deductions):</u>		
Increase in GST paid on operating expenses, not yet refunded	-	-
Decrease in GST received on operating income, not yet remitted	(17,234)	(193,268)
Decrease in unearned income	(24,503)	-
Increase in prepaid expenses	-	(599,383)
Decrease in Accounts Payable	-	-
Net movement in market value of Sandalwood Trees	<u>-</u>	<u>(1,160,014)</u>
	<u>(41,737)</u>	<u>(1,952,665)</u>
Net cash inflow/(outflow) from operating activities	<u>(1,187)</u>	<u>1,636,365</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

	2004 \$	2003 \$
(b) Reconciliation of Cash		
Cash balance comprises:		
Cash at bank	<u>440</u>	<u>1,627</u>

13. RELATED PARTY DISCLOSURES

(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 ENDED 30 JUNE 2004 (CONTINUED)

2004
\$

2003
\$

14. 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

\$6,800 (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 2004. \$4,050 is outstanding at period end.

15. AUDIT

(a) Auditors

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

16. SEGMENT INFORMATION

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

17. SUBSEQUENT EVENTS

Since 30 June 2004, 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.

18. 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:

<u>Financial Assets</u>		
Cash	440	1,627
Weighted average debit interest rate (p.a.)	0%	0%
Weighted average credit interest rate (p.a.)	1.69%	1.69%
Interest rate type	Variable	Variable

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (CONTINUED)

(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 2004. 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 ENDED 30 JUNE 2004

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 2004 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 6th day of December 2004