

TFS SANDALWOOD PROJECT 2007

FINANCIAL REPORT
FOR THE PERIOD TO 30 JUNE 2007

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RESPONSIBLE ENTITY'S REPORT

The Directors of TFS Properties Ltd (ACN 093 330 977), Responsible Entity for TFS Sandalwood Project 2007 ("the Project"), present their report together with the financial statements of the Project for the period ended 30 June 2007.

Directors

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

Frank Cullity WILSON
Ronald Lionel EACOTT
Blake William MYLES
Ian MacKenzie MURCHISON
Ian Ross THOMPSON

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

The project commenced during the year. There was no significant change in the state of affairs of the project after the commencement date.

Results of Operations and Likely Developments

The Project made a profit for the year ended 30 June 2007 of \$31,903,000.

This is due to the receipt of fees for the establishment of 3058 one sixth hectare lots.

All of the TFS2007 lots are expected to be planted in dry season 2008. All of the land has either been prepared or in final stages of being prepared.

With small quantities and lower grades of Indian Sandalwood on offer, the recent Tamil Nadu auction reflects India's diminishing supply of Indian Sandalwood, which is recognised as a vulnerable species on the World Conservation Union's Threatened Species Redlist (IUCN).

Only 21.5 tonnes of Jajpokal 2nd Class (consists of billets weighing not less than 500g to 1kg) was sold at the Tamil Nadu auction in April this year for a price of Rp3,350,000 (A\$98,390) per tonne. This compares to the November 2006 auction where 11 tonnes of Jajpokal 2nd class was sold for a value of Rp3,341,200 (A\$96,694) per tonne. This suggests that while the average price is falling due to the sale of lower grades of wood, the price of Indian Sandalwood continues to increase.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 18 of the financial report.

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



Frank Cullity Wilson

Perth, 15th January, 2008



Independent Audit Report

To the Members of T.F.S. Sandalwood Project 2007

We have audited the accompanying financial report of T.F.S. Sandalwood Project 2007, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration at the year's end.

Directors Responsibility for the Financial Report

The directors of the responsible entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' 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 followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

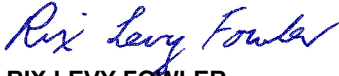
Independent Auditor's Report

To the Members of T.F.S Sandalwood Project 2007

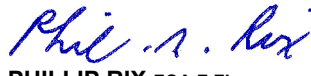
Auditor's Opinion

In our opinion:

- a. The financial report of T.F.S. Sandalwood Project 2007 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 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1



RIX LEVY FOWLER
Audit & Corporate Pty Ltd



PHILLIP RIX FCA F.Fin.
Director

DATED at PERTH this 15th day of January 2008

TFS SANDALWOOD PROJECT 2007
 INCOME STATEMENT
 FOR THE YEAR TO 30 JUNE 2007

	NOTE	2007 \$
REVENUE FROM ORDINARY ACTIVITIES		
Establishment fees		31,903,000
Interest received		-
Other income:		-
Net increment in net value of biological assets		-
		<u>31,903,000</u>
EXPENSES FROM ORDINARY ACTIVITIES		
Accounting fees		-
Audit fees		3,675
Bad debts / Provision for impairment		-
Bank charges		44
Compliance committee remuneration		4,270
Filing fees		1,685
Reimbursement of expenses by the responsible entity		(9,674)
		<u>-</u>
NET OPERATING INCOME FROM ORDINARY ACTIVITIES		<u>31,903,000</u>

The Income Statement should be read in conjunction with the accompanying notes.

TFS SANDALWOOD PROJECT 2007
 BALANCE SHEET
 AS AT 30 JUNE 2007

	NOTE	2007 \$
CURRENT ASSETS		
Cash and cash equivalents	2	6,040,797
Trade and other receivables	3	25,509,651
Other	4	-
TOTAL CURRENT ASSETS		<u>31,550,448</u>
NON CURRENT ASSETS		
Biological assets	5	31,903,000
Other	4	-
TOTAL NON-CURRENT ASSETS		<u>31,903,000</u>
TOTAL ASSETS		<u>63,453,448</u>
CURRENT LIABILITIES		
Trade and other payables	6	31,550,448
Unearned Income	7	-
TOTAL CURRENT LIABILITIES		<u>31,550,448</u>
NON CURRENT LIABILITIES		
Unearned Income	7	-
TOTAL NON-CURRENT LIABILITIES		<u>-</u>
TOTAL LIABILITIES		<u>31,550,448</u>
NET ASSETS		<u>31,903,000</u>
GROWERS' FUNDS		
Undistributed income reserve		31,903,000
EQUITY		<u>31,903,000</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

TFS SANDALWOOD PROJECT 2007
 STATEMENT OF CHANGES IN GROWERS' FUNDS
 FOR THE YEAR TO 30 JUNE 2007

	NOTE	Undistributed Income \$	Total \$
Balance at 1.7.2006		-	-
Profit for period		31,903,000	31,903,000
Sub-Total		31,903,000	31,903,000
Distributions provided for or paid		-	-
Balance at 30.06.2007		31,903,000	31,903,000

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

TFS SANDALWOOD PROJECT 2007
 CASHFLOW STATEMENT
 FOR THE YEAR TO 30 JUNE 2007

	NOTE	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Inflows</u>		
Receipts from growers		9,583,649
Interest received		-
<u>(Outflows)</u>		
Payments to suppliers		-
	8(b)	<u>9,583,649</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Payment for establishment of plantations		<u>(3,542,852)</u>
		<u>(3,542,852)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Other		<u>-</u>
Net increase / (decrease) in cash held		6,040,797
Cash at beginning of financial year		-
Cash at end of financial year	8(a)	<u>6,040,797</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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 and other Australian Accounting Interpretations of the Australian Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on historical costs, except for Sandalwood trees (which are biological assets), which are recorded at net market value. This report does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(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. All revenue is stated net of the amount of goods and services tax (GST). Specific revenues are recognised as follows.

Operations revenue:

- Timber Lot sales (Establishment Fees) are recognised as revenue on acceptance of the application by the Responsible Entity. The directors of the responsible entity are of the view that this recognition policy most appropriately reflects the timing in which the probability of the economic benefits flows to the entity based on commitments made by investors and costs expended to date.
- Lease and Management Fees are recognised as revenue in the period to which they relate.

(c) Biological assets

Sandalwood trees are measured at the Responsible Entity's Director's assessment of 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 Cash Equivalents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007 (CONTINUED)

(f) Trade and other Receivables

Trade 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. The amount provided for is the portion of deemed uncollectible after the value of trees as security has been taken into account. Bad debts are written off as incurred. Amounts due from growers are recognised and carried at the amount stated in the loan agreement plus accrued interest, less any principal repayments received.

(g) Trade and other Payables

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

(h) Unearned Income

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

(i) Goods and Services Tax

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

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

(j) Impairment of Assets

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

(k) Financial Instruments

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

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: recognition of Measurement of Financial Instruments.

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2007 (CONTINUED)

Financial Liabilities

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

Fair value

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

Impairment

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

(l) Comparative Figures

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

Critical Accounting Estimates and Judgements

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

Key Estimate – Biological Asset valuation

As referred to in Note 1(c) and Note 5, as required under the accounting standards the directors of the responsible entity make an estimate as to the market value of the standing sandalwood trees held by the scheme. The carrying value of the sandalwood trees at year end is shown in Note 5. The market value is calculated as the net present value of expected future cashflows. The estimates used in calculating the expected future cashflows include assumptions on yields in terms of survival rates of trees, and heartwood and oil content of the trees, as well as assumptions as to the future price of the heartwood logs. All estimates are based on the best information currently available and where there is any doubt the scheme uses the more conservative estimates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR TO 30 JUNE 2007 (CONTINUED)

	NOTE	2007 \$
2. CASH AND CASH EQUIVALENTS		
Cash at bank		<u>6,040,797</u>
3. TRADE AND OTHER RECEIVABLES		
Outstanding fees (i)		25,509,651
Provision for Impairment of outstanding fees		-
Outstanding fees (i)		<u>25,509,651</u>
<p>(i) Outstanding fees represent moneys receivable from growers for the cost of establishment of the plantation. No interest has been charged on amounts due.</p>		
4. OTHER ASSETS		
Current		
Prepayments (i)		<u>-</u>
Non Current		
Prepayments (i)		<u>-</u>
<p>(i) prepayments represent lease and management fees paid to the manager in advance of the period in which the lease and management services are to be provided.</p>		
5. BIOLOGICAL ASSETS		
Sandalwood trees at cost of establishment (still to be planted at balance date)		31,903,000
Sandalwood trees at net market value (planted at balance date)		-
		<u>31,903,000</u>
(a) Physical quantity of sandalwood trees planted and owned		
Number of sandalwood trees		-
Area under lease (Ha) (planted)		0.0
Area under lease (Ha) (to be planted)		509.7
Growers in project (units)		3058

(b) Nature of Asset

Investors in the TFS Sandalwood Project 2007 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 will be situated on Blocks 8 and 9 at King Location 384, and on King Location Lots 240 and 257 ("Voyagers farm"). Both of these locations are within 15 kilometres from the Western Australian township of Kununurra.

The land upon which the Sandalwood plantation is located is 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 2022.

Until the trees have been planted the value of the trees is represented by the amount of establishment fees paid. Once planted, the net market value of the Sandalwood trees will be determined in accordance with the applicable accounting standards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR TO 30 JUNE 2007 (CONTINUED)

(c) Significant Assumptions

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

- 20% of the trees will be harvested and sold 13 years after planting;
- 80% of the trees will be harvested and sold 14 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.

	NOTE	2007 \$
6. TRADE AND OTHER PAYABLES		
Trust funds payable to responsible entity (i)		28,360,148
GST payable		3,190,300
Other		-
		<u>31,550,448</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 is payable on outstanding amounts.

7. UNEARNED INCOME

Current

Prepaid lease & management fees -

Non Current

Prepaid lease & management fees -

Represents lease and management fees received in advance of services provided.

	NOTE	2007 \$
8. CASH FLOW INFORMATION		
(a) Reconciliation of cash		
Cash balance comprises:		
Cash at bank		<u>6,040,797</u>
(b) Reconciliation of net operating income to net cash flows from operating activities		
Net operating income		31,903,000
Adjustments:		
(Increase) / decrease in net receivables		(25,509,651)
(Increase) / decrease in prepayments		-
(Increase) / decrease in market value of sandalwood trees		-
Increase / (decrease) in payables		3,190,300
Increase / (decrease) in unearned income		-
Net cash inflow / (outflow) from operating activities.		<u>9,583,649</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 JUNE 2007 (CONTINUED)

9. RELATED PARTY DISCLOSURE

(a) Responsible Entity

The Responsible Entity of the TFS Sandalwood Project 2006 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
Ronald Lionel EACOTT
Blake William MYLES
Ian MacKenzie MURCHISON
Ian Ross THOMPSON

(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 2006 and carries out the custodial and administrative functions.

Transactions between TFS Sandalwood Project 2006 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 nil lease interests are held by Directors or parties related to Directors on the same terms and conditions as other Growers. No amounts are outstanding at year end.

(e) Key management compensation

No compensation has been paid by the scheme directly to key management personnel

10. COMPLIANCE MATTERS

(a) Compliance Committee

The Compliance Committee during the period consisted of:

Ron Eacott (Chairman) – Director TFS Properties Ltd
Robert Marusco – 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

\$4,270 (2006:\$6,672) (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 2007.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 JUNE 2007 (CONTINUED)

11. AUDIT

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

12. SEGMENT INFORMATION

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

13. SUBSEQUENT EVENTS

Since 30 June 2007, there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Project.

14. FINANCIAL 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	\$6,040,797
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 2007. 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.

15. PROJECT DETAILS

The registered office of the project is:

254 Adelaide Terrace
Perth WA 6000

The principal places of project are

Head Office
254 Adelaide Terrace
Perth WA 6000

Plantation
King Location 385, Packsaddle Road
Kununurra WA 6743

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR TO 30 JUNE 2007 (CONTINUED)

16. CHANGES IN ACCOUNTING POLICIES

The following Australian Accounting Standards have been issued or amended and are applicable to the project but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
AASB 2005–10 Amendments to Australian Accounting Standards	AASB 1: First-time Adoption of AIFRS AASB 4: Insurance Contracts AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement.	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 January 2007	1 July 2007
AASB 7 Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 January 2007	1 July 2007

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the project.

**DIRECTORS' DECLARATION
FOR THE YEAR TO 30 JUNE 2007**

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 2007 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



FRANK CULLITY WILSON
DIRECTOR

Dated: this 15th day January, 2008



To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of T.F.S. Sandalwood Project 2007 for the year ended 30 June 2007 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 the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

PHILLIP RIX FCA F.Fin
Director

DATED at PERTH this 15th day of January 2008