



As we approach the end of the financial year, the thoughts of many turn to managing upcoming tax liabilities. The attached article from the highly respected Switzer.com highlights the ways in which TFS's annual retail investment product can be used to address a range of tax events.

The article also highlights the way the product can be used to increase an investor's SMSF assets over time.

The annual TFS Sandalwood Project represents an opportunity to invest in one of the world's oldest traded commodities, taking advantage of the exceptional demand / supply dynamics inherent in the market.

Coupled with the tax effective nature of the investment, an investment in the TFS Sandalwood Project can represent an excellent addition to a well managed investment portfolio.

Article:

Investors seeking tax-effective opportunities look to Indian Sandalwood

by Steve Torso

Switzer Daily - <http://www.switzer.com.au/the-experts/steve-torso/investors-seeking-tax-effective-opportunities-look-to-indian-sandalwood/>

As we run into Q4 of the financial year investors countrywide begin looking at tax-effective investments to reduce their tax burden. Although benefits of tax-effective investment vary based on the individual, benefits can include immediate tax relief through a tax refund or tax minimisation at the time of investment, throughout the investment term or at maturity. But as the advertising increases at the end of the financial year, what are the key factors an investor should consider?

Prime assets, high demand, restricted supply

Many investors typically look at the headline tax benefits but don't pay too close attention to underlying assets. The underlying asset is critical to receiving the expected tax benefit and also provides stability of investment over the course of its term. Agri-investments for instance are not all the same. Some suffer from volatile demand or from oversupply. A commodity to shine the light on as a prime example is Sandalwood.

Sandalwood has been an integral part of Asian culture and religion for thousands of years, and remains a key ingredient in the fragrance, cosmetic, pharmaceutical and religious products markets. Sandalwood features in perfumes, cosmetics and toiletries, medicines, medicinal skin care products, carvings, fashion, furnishings, incense and religious ceremonies around the globe. It is a high demand product in the largest consumer markets in the world.

The Indian species of Sandalwood (*Santalum album*) commands the highest price at auction due to its superior oil yields and long-term market acceptance. The price of wild Indian Sandalwood sold at

auctions in India has continued to increase at a compounded rate of approximately 15% over the last 22 years with the price for Indian Sandalwood logs averaging over A\$100,000 per tonne. These price rises have occurred predominately due to the low supply of consistent Sandalwood. Experts predict a long term increase in price due to the increasing supply/demand imbalance of Indian Sandalwood.

TFS Corporation (ASX:TFC)

TFS Corporation is a Western Australian company listed on the ASX (ASX Code - TFC) with over 15 years of experience in both the cultivation of Indian Sandalwood and the distillation of Sandalwood oil.

TFS controls the world's largest source of sustainable Indian Sandalwood supply with direct and indirect ownership of over 2,400 hectares of plantations. This scale provides real asset value in the balance sheet. TFS share price growth exceeded 200% in the past 12 months (\$0.57 in March '13 to \$1.71 in March '14) with one research house forecasting Target Price of \$3.34. The company has just been added to the ASX300 index.

The company has been listed with Wholesale Investor and has presented to sophisticated and professional investors with considerable attention of late. This provides access to the underlying company but what about a tax effective investment?

TFS Tax Effective Investment for Individuals and SMSF

TFS has planted over 6,000 hectares of commercial Indian Sandalwood plantations on behalf of over 3,400 individual growers and a range of institutional investors. Investors can participate in The TFS Sandalwood Project 2014 - the company's sixteenth annual Indian Sandalwood Project.

The Indian Sandalwood project is useful as it can be used to address a wide range of tax events from upfront tax deductions for both individuals and SMSFs. It has been common to invest initially in one's own name to receive the personal tax benefits. After a minimum 4 year period, the investment can then be transferred to a SMSF. When the investment matures the income is only taxed at the Super rate of 15%. The transfer from the personal name to a SMSF is highly likely to trigger a tax event so an investor needs to check the implications of this with their personal tax adviser.

By capturing an early ROI investors are not exposed to the potential volatility of specific end markets, but the demand of these end markets drive the log price and create stability at the earlier stage. Investor returns are based on the value and sale of the Indian Sandalwood log at harvest.

With prime assets, high demand, restricted supply plus a solid underlying company, this is the essence of choosing the right criteria for a tax effective investment. Remember, do your own research, choose wisely and receive the tax benefits you are entitled to.

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Regards,

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