



**TFS SANDALWOOD PROJECT 2009**  
**ARSN: 135 373 938**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2017**



## CONTENTS

---

	PAGE
RESPONSIBLE ENTITY'S REPORT	1-7
INDEPENDENT AUDITOR'S REPORT	8-10
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF CHANGES IN GROWERS' FUNDS	13
STATEMENT OF CASH FLOWS	14
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	15-18
DIRECTORS' DECLARATION	19
AUDITOR'S INDEPENDENCE DECLARATION	20

## RESPONSIBLE ENTITY'S REPORT

---

The Directors of Sandalwood Properties Ltd (formerly known as TFS Properties Ltd); ("Responsible Entity") (ACN 093 330 977) as Responsible Entity for TFS Sandalwood Project 2009 ("the Project" or "the Scheme"), submit their report for the year ended 30 June 2017.

### Directors

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

Mr Julius Matthys (Appointed 19 October 2018)  
Mr Kent Burwash (Chairman) (Appointed 1 November 2018)  
Mr Steve Dixon (Appointed 1 November 2018)  
Mr Greg Gaunt (Chairman) (Resigned 18 June 2018)  
Mr John Groppoli (Resigned 18 June 2018)  
Mr Rob Scott (Resigned 18 June 2018)  
Mr Dalton Gooding (Resigned 12 July 2017)  
Mr Ross Kestel (Resigned 5 July 2017)

### Principal Activities

The Project is a Managed Investment Scheme for the purposes of the Corporations Act 2001 and is regulated by the project's Constitution and the Corporations Act 2001. The Scheme participants' (Growers) interests in the Sandalwood lots are managed by the Responsible Entity as a single commercial plantation for the benefit of the growers.

### Change of State of Affairs

There have been no other significant changes in the state of affairs of the project during the year other than those disclosed in "Likely Developments and Expected Results".

### Results of Operations

During the year, the Scheme continued to be managed in accordance with the investment objective and strategy set out in the Scheme's offer document and in accordance with the Scheme constitution.

Growers are establishing and participating in their own forestry plantation business.

The Scheme derived no operating profit during the financial year (2016: Nil) and made no distributions (2016: Nil).

### Likely Developments and Expected Results

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

Under the Scheme, Growers enter into a lease and management agreement with the Responsible Entity and Quintis Leasing Pty Ltd (formerly known as TFS Leasing Pty Ltd). The planting, management, harvest and sale of the trees on the Sandalwood lots are conducted by the project manager, Quintis Forestry Ltd (formerly known as TFS Forestry Services Ltd), as appointed by the Responsible Entity. The Responsible Entity, project manager and Quintis Leasing Pty Ltd were wholly owned subsidiaries of Quintis Ltd ("Quintis"). Quintis Ltd together with its consolidated subsidiaries are referred to as the "Quintis Group". The Scheme's liquidity position is linked to its Responsible Entity, which in turn is linked to Quintis Holdco Pty Limited ("QHPL") (Parent Company of the Responsible Entity), due to on-demand loans extended to Quintis.

On 20 January 2018, Quintis appointed Richard Tucker, Scott Langdon, and John Bumbak of KordaMentha as voluntary administrators of the Quintis Group. Following this, on 23 January 2018, the Quintis Group's secured noteholder appointed John Preston, Shaun Fraser and Robert Brauer of McGrathNicol as Receivers and Managers of the Quintis Group.

On 8 June 2018, the creditors voted for the Receivers' proposed Deed of Company Arrangement ("DOCA") for Quintis. The creditor vote enabled the strategy to recapitalise Quintis with between A\$125 million and A\$175 million in new cash to be injected into the business to fund operations on a long-term basis.

Quintis was recapitalised effective 30 October 2018 after receiving A\$145 million in funding from its new shareholders.

As part of the recapitalisation the Quintis Group was restructured with Quintis being replaced as Parent Company of the Quintis Group by QHPL.

## RESPONSIBLE ENTITY'S REPORT

---

In October 2018 First Lien notes were issued by the Quintis Group with a principal of USD\$151m, and will mature on September 15, 2026. It is in the Quintis Group's discretion to pay interest in kind or in cash in years one through six at a rate of 7.5% per annum if paid in cash and 8.0% per annum if paid in kind. Interest is to be paid in cash at 7.5% per annum in years seven and eight. Interest is payable semi-annually in arrears.

In October 2018 Second Lien notes were issued by the Quintis Group with a principal of USD\$185m, and will mature on September 1, 2028. No interest is payable in years one through six. Interest is accrued in years six through ten at a rate of 12.0% per annum. Interest is payable semi-annually in arrears.

The recapitalisation will enable the responsible entity to continue to execute the investment strategy of the scheme in accordance with the Scheme constitution and investment objectives as detailed in the Product Disclosure Statement.

Growers include interests held by the Responsible Entity or the subsidiaries of QHPL. At 30 June 2017 there were 394 units (1/6<sup>th</sup> ha) held by the Responsible Entity or subsidiaries of QHPL and 3,489 units held by other Growers in the project.

### Expert Forester's Report

Expert Forester's Report for the period from 1 July 2016 to 30 June 2017

This report reviews the status of the plantations managed under this project and the maintenance operations that were undertaken during the year ended 30 June 2017.

TFS 2009 plantations extend over six separate properties which are detailed below. The plantation was planted in 2010 and were 7 years old as at 30 June 2017.

HCJB Farm (King Location 579) is located on the Packsaddle Plain to the southeast of Kununurra and is divided into two Stands. These are HCJB 1 and HCJB 2.

Chapman Farm (King Location 234) has one Stand (number 10).

Smith Farm (King Locations 567) comprises 3 Stands and Location 568 comprising two Stands totalling 106.77ha.

Croot plantation (King Location 254) is on the Ivanhoe Plain and is divided into four Stands. These are 84A, 84B, 84C & 84D.

Voyager Farm (King Location 240) is represented by Stand 13 only.

Leucaena Farm (Lots 2 and 100) is in the north of the Ivanhoe Plain and consists of 10 Stands. These are 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 2.2, 2.3, 2.4, 2.8.

All Stands were provided with well proven long-term hosts. Some had a mixture of *Dalbergia lanceolaria*, *Cassia siamea* and *Cathormion umbellatum*; some had *Dalbergia lanceolaria* and *Cassia siamea* and some *Dalbergia lanceolaria* and *Cathormion umbellatum*.

Both HCJB Stand 1 and Stand 2 have *Dalbergia lanceolaria*, *Cassia siamea* and *Cathormion umbellatum* as hosts and along with the Sandalwood are, for the most part, in good health. The *Cathormion umbellatum* has improved following hedging of the *Cassia siamea*. There are large gaps in the *Dalbergia lanceolaria* rows. Observations suggest that a reduction of host canopy size would have been beneficial to the productivity of the Sandalwood. It may still be beneficial to thin the plantation in order to maximise growth on the Sandalwood crop. The prolonged wet season of 2016/2017 along with recent cool weather has impacted on the Sandalwood and *Dalbergia lanceolaria*. Trees are just beginning to flush suggesting that they are recovering. This is a feature of the entire Ord valley this season.

Eight irrigation events occurred during the dry season with an average of 1.4 ml/ha being applied on each occasion. This equates to 11.4 ml/ha being applied which is slightly above the target of 8 ml/ha for one season.

Broadscale sprays of herbicide were applied on 4 occasions. This is primarily to clear the interrows such that irrigation water flows are not impeded. Removing weeds also reduces the risk of fire. Vines were removed. *Cassia siamea* was hedged and the debris was mulched. Hedging increases the light penetration and encourages the growth of Sandalwood and *Cathormion umbellatum*.



## RESPONSIBLE ENTITY'S REPORT

---

The Sandalwood stocking at both Stands at HCJB are above target, standing at 450 trees/ha in Stand 1 and 493 tree/ha in Stand 2. High Sandalwood stocking in a dense plantation will mean individual Sandalwood trees will be small and heartwood formation may not be optimal. There are plans to correct this with some Sandalwood thinning. Removing the runts will be the first phase of this and perhaps 10-20% of the stems are expected to be removed to allow the larger trees to continue to grow.

The single Stand at Chapman plantations remains variable. The configuration at the plantation sees the Sandalwood and hosts planted in the same row. Attempts to infill hosts with *Dalbergia lanceolaria* failed and now infilling with *Albizia lebeck* is being attempted. At the time of writing the *Albizia* remain healthy. Time will determine if the *Albizia* develops into an effective host.

Broadscale herbicide applications were applied on three occasions. This is primarily aimed at facilitating the flow of irrigation water and to reduce the fire hazard.

The stocking of Sandalwood is very high at 564 trees/ha. Thinning of Sandalwood will be required to concentrate growth on the best trees.

Smith Farm is growing extremely well except for the north-eastern edge (Stand 3) where red soils intrude into the plantation and the trees are less vigorous. Observations suggest that this plantation has reached site capacity on most areas and will need intervention to reduce the stocking of both Sandalwood and hosts. This will serve to increase the growth on selected Sandalwood trees.

The Stands at Smith's were irrigated on 4 occasions with an average volume applied of 2.6 ml/ha. The range was from 1.9 to 4.9 ml/ha.

Herbicide was applied on 3 occasions to control weeds. This is primarily to kill weeds in the interrow to facilitate the flow of irrigation water and to reduce the fire hazard. An insecticide was applied on one occasion to prevent foliage eating insects from damaging the Sandalwood and host species.

The Sandalwood stocking in all three Stands is above target and emphasises the need to thin this plantation in order to maximise growth of Sandalwood.

Croot plantation remains unhealthy and has not fully recovered from the insect damage that occurred in 2015/2016. Intense management options have been deployed in an attempt to correct the malaise. A complete fertiliser application is planned at the commencement of the wet season. More recent observations (November 2017) by TFS staff suggest that trees are recovering vigorously. Fertiliser has been applied.

All Stands received four applications of herbicide to control weeds. This is primarily to facilitate the flow of irrigation water and to reduce the fire hazard.

Insecticides were applied on 4 occasions to control insects that were attacking both the Sandalwood and its hosts. Agrifos was applied by air on 6 occasions as a prophylactic treatment to prevent soil fungi attacking the roots of trees.

There were 8 irrigation events throughout the dry season with an average application of 2.1 ml/ha and a range of 1.2 to 3.6 ml/ha.

The Sandalwood stocking in all Stands at Croot is above the target and may need to be thinned along with the hosts to maximise growth on the Sandalwood trees. The reason for poor performance of this plantation needs to be determined before thinning is prescribed.

Maintenance in Voyager Stand 13 concentrated on weed control. Stand 13 is generally good although the western section is poor due to heavy soils. The Sandalwood trees are beginning to flush indicating that they have recovered from the prolonged wet season and cool weather. The form of Sandalwood trees is good as a result of form pruning the trees. The host trees are healthy, although the *Cassia siamea* needs to be hedged to allow light to reach the Sandalwood. Significant numbers of *Cassia siamea* have died as a result of infection by fungi. Three directed applications of a residual herbicide mixed with a knockdown herbicide were applied, while the Stand was treated with a blanket herbicide spray and vines were removed. The Stand was irrigated on six occasions during the dry season when an average of 2.4 ml/ha was applied on each occasion. Agrifos was applied on two occasions as a prophylactic spray to prevent infection by root fungi.

The Sandalwood stocking in Voyager 13 is at target level.

## RESPONSIBLE ENTITY'S REPORT

---

Stands in Leucaena plantation have *Cassia siamea* and *Cathormion umbellatum* as long-term hosts although Stand 2-8 has the addition of *Dalbergia lanceolaria*. Parts of the plantation fall on heavy soils and this is most evident in Stand 2-2, 2-6 and 2-8. In these Stands, particularly Stand 2-8, the *Cassia siamea* is not performing well. Stands 1-2, 1-3, 1-4 and 1-5 are growing well and the vigour of *Cathormion umbellatum* continues to improve. The other Stands are patchy.

As noted in earlier reports, some of the more northerly Stands extended into soils that are transitional between Cununurra clay and Aquitaine clay. The growth of Sandalwood on these Stands is compromised to some extent. However, Sandalwood stocking remains, for the most part, on target.

All Stands were irrigated on 4 occasions throughout the dry season with an average of 2.8 ml/ha being applied on each occasions. The range was between 1.8 and 4.6 ml/ha.

A broadscale application of herbicide was sprayed onto the interrows in each Stand on 4 occasions. This is primarily to remove weeds that could impede the flow of irrigation water. It also reduces the fire hazard. Vines were pulled from trees.

AgriFos was applied as a spray from the air on two occasions. This is a prophylactic treatment to prevent infection by root fungi.

The maintenance of plantation infrastructures continued on an "as needed" basis. Rows in each Stand were delved during the year to allow efficient transfer of water through the plantations. Water supply channels and drains were cleared of silt periodically and access tracks within the plantations were maintained in a trafficable condition. All infrastructures were maintained free of weeds by an occasional herbicide spray.

In summary, the plantations of Quintis 2009 are growing well and for the most part are healthy. They are managed professionally.

Expert Forester's Report for the period from 1 July 2017 to 30 June 2018

This report reviews the status of the plantations managed under this project and the maintenance operations that were undertaken during the year ended 30 June 2018.

TFS 2009 plantations extend over six separate properties which are detailed below. The plantation was planted in 2010 and were 8 years old as at 30 June 2018.

HCJB Farm (King Location 579) is located on the Packsaddle Plain to the southeast of Kununurra and is divided into two Blocks. These are HCJB 1 and HCJB 2.

Chapman Farm (King Location 234) has one Block (number 10).

Smith Farm (King Locations 567) comprises 3 Blocks and Location 568 comprising two Blocks, totalling 218.8 ha.

Croot plantation (King Location 254) is on the Ivanhoe Plain and is divided into four Blocks. These are 84A, 84B, 84C & 84D.

Voyager Farm (King Location 240) is represented by Block 13 only.

Leucaena Farm (Lots 2 and 100) is in the north of the Ivanhoe Plain and consists of 10 Blocks. These are 1:1, 1:2, 1:3, 1:4, 1:5, 1:6, 2:2, 2:3, 2:4, 2:8.

Hosts in these Blocks are mixture of *Dalbergia lanceolaria*, *Cassia siamea* and *Cathormion umbellatum*; while some have *Dalbergia lanceolaria* and *Cassia siamea* and others have *Dalbergia lanceolaria* and *Cathormion umbellatum*.

Both HCJB Block 1 and Block 2 have *Dalbergia lanceolaria*, *Cassia siamea* and *Cathormion umbellatum* as hosts and along with the sandalwood are, for the most part, in good health Block 1 is the better of the two; Block 2 being variable. The *Cathormion umbellatum* is now healthy and vigorous. As mentioned in previous reports, there are parts of this plantation that would benefit from a reduction in the size of the host canopies in order to maximise sunlight onto the sandalwood, thus improving growth and oil production.

Six irrigation events occurred during the dry season with an average of 1.5 ML/ha and 1.7 ML/ha on each occasion being applied to Block 1 and Block 2 respectively. The range was from 0.9 ML/ha to 2.6 ML/ha. This is slightly below the target volume of 2.0 ML/ha for each occasion, although the total volume over the season is above the target of 8 ML/ha.

Broadscale sprays of knockdown herbicides were applied on two occasions with a banded application applied on one occasion. This is primarily to clear the interrows such that irrigation water flows are not impeded. Removing weeds also reduces the risk of fire.

Sandalwood trees were pruned to encourage a single stem and the debris was mulched. An aerial application of a systemic insecticide was applied in August 2017 to control the stem borer *Maroga melanostigma*. Stem borers are a vector for fungi that could impact on oil production.

The single Block at Chapman plantations remains variable. The configuration at the plantation sees the sandalwood and hosts planted in the same row. Attempts to infill hosts with *Dalbergia lanceolaria* failed and has been infilled with *Albizia lebeck*. Indications are that this may be effective. At the time of writing the *Albizia* remain healthy. Time will determine if the *Albizia* develops into an effective host.

Broadscale herbicide applications were applied on three occasions. This is primarily aimed at facilitating the flow of irrigation water and to reduce the fire hazard. Vines were removed from sandalwood trees by hand.

A systemic insecticide was sprayed from the air to control bark borers. These insects primarily feed on the bark but rest in tunnels drilled into the stem, thus the insect can become a vector for disease.

Smith Farm is growing well and remains healthy except for the north-eastern edge (Block 3) where red soils intrude into the plantation and the trees are less vigorous.

The *Cassia siamea* have recently been hedged and this has allowed sunlight onto the sandalwood. A significant number of the *Dalbergia lanceolaria* are shading the sandalwood and need to be hedged.

The Blocks at Smith's were irrigated on six occasions with an average volume applied of 2.5ML/ha, 2.4ML/ha and 2.7ML/ha for Blocks 1, 2 and 3 respectively. The range was from 0.9 to 4.8 ML/ha. The average is close to the target rate of 2ML/ha on each irrigation event. The interrows in Block 2 were delved to allow the orderly flow of water through the plantation.

A spot spray of a knockdown herbicide was applied on two occasions to control vines. In addition, two applications of a blanket spray of knockdown herbicides were applied. This is primarily to kill weeds in the interrow to facilitate the flow of irrigation water and to reduce the fire hazard.

Sandalwood in Blocks 2 and 3 were pruned to encourage a single stem and the debris was mulched.

The boundaries were hedged to facilitate access to the Blocks.

The sandalwood stocking in all the Blocks is above target and emphasises the need to thin this plantation in order to maximise growth of sandalwood.

Croot plantation remains unhealthy and has not fully recovered from the insect damage that occurred in 2015/2016. Intense management options have been deployed in an attempt to correct the malaise. The reason for the continuing poor health of Croot plantation needs to be investigated.

All Blocks received three applications of a knockdown herbicide to control weeds. This is primarily to facilitate the flow of irrigation water and to reduce the fire hazard.

A systemic Insecticide was applied to control the stem borer *Maroga melanostigma*.

A complete fertiliser was applied at 250kg/ha in September 2017. This was a further attempt to recover this plantation.

There were seven irrigation events throughout the dry season with an average application of 2.0 ML/ha, 2.0ML/ha, 2.7ML/ha and 2.7 ML/ha for Blocks 1, 2, 3 and 4 respectively. Despite what appears to be adequate irrigation volumes and frequency, Croot plantation appears to be moisture stressed.

The sandalwood stocking in all Blocks at Croot is above the target and may need to be thinned along with the hosts to maximise growth on the sandalwood trees.

Maintenance in Voyager Block 13 is reasonably good although the western section is poor due to heavy soils. The sandalwood trees are beginning to flush and hosts are vigorous. There have been no further deaths of *Cassia siamea* and those that remain are healthy.

Three applications of a knockdown herbicide were applied to control weeds in the interrows that impede the flow of irrigation water. Weeds also become a fire hazard.

The Block was irrigated on seven occasions during the dry season when an average of 2.1 ML/ha was applied on each occasion. The range was from 1.7ML/ha to 2.5ML/ha.

Blocks in Leucaena plantation have *Cassia siamea* and *Cathormion umbellatum* as long-term hosts although Block 2-8 has the addition of *Dalbergia lanceolaria*. Parts of the plantation fall on heavy soils and this is most evident in Block 2-2, 2-6 and 2-8. In these Blocks, particularly Block 2-8, the *Cassia siamea* is not performing well. Parts of Blocks 1-2, 1-3, 1-4 and 1-5 appear healthy and the *Cathormion umbellatum* continues to improve.

As noted in earlier reports, almost all of the Blocks contain soils that are transitional between Cununurra clay and Aquitaine clay. Trees on the Aquitaine clays do not grow well and the productivity of sandalwood on these Blocks is compromised; however, sandalwood stocking remains, for the most part, on target.

All Blocks were irrigated on 6 occasions throughout the dry season with an average of 2.4 ML/ha being applied on each occasions. The range was between 1.7 and 4.0 ML/ha.

A broadscale application of a knockdown herbicide was sprayed onto the interrows in each Block on three occasions. This is primarily to remove weeds that could impede the flow of irrigation water. It also reduces the fire hazard.

A systemic insecticide was sprayed to all the Blocks in Leucaena plantation in August 2017 to control the stem borer *Maroga melanostigma*.

Where stocking is excessively high the average individual sandalwood trees will be small and heartwood formation may not be optimal. Thinning of sandalwood has not commenced although this, along with the management of host density, is considered important.

The maintenance of plantation infrastructures continued on an "as needed" basis. Water supply channels and drains were cleared of silt periodically and access tracks within the plantations were maintained in a trafficable condition. All infrastructures were maintained free of weeds by an occasional herbicide spray.

In summary, the plantations of the 2009 Project are, for the most part, healthy. They are managed professionally.

#### Environmental Management

The project's operations are subject to significant environmental regulations under the laws of the Commonwealth and State. There have been no significant known breaches of any environmental regulations to which the project is subject.

The Directors of the Responsible Entity have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act does not have an effect on the project for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

#### Indemnification and Insurance of Directors and Officers

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

During or since the financial year, 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 contract with the insurer prohibits the disclosure of the nature of the liabilities or the amount of premium paid.

#### Indemnification of Auditors

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



## RESPONSIBLE ENTITY'S REPORT

---

### Events after the Reporting Period

Other than the matters disclosed in heading "Likely Developments and Expected Results" and "Expert Forester's Report", since 30 June 2017, there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the project.

### Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2017 has been received and can be found on page 20 of the report.

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

A handwritten signature in dark ink, appearing to read 'KBurwash', with a stylized flourish at the end.

Kent Burwash - Chairman

Dated at Perth this 5<sup>th</sup> day of June 2019

## Independent auditor's report to the Growers of TFS Sandalwood Project 2009

### Opinion

We have audited the financial report of TFS Sandalwood Project 2009 (the Registered Scheme), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in growers' funds and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and declaration of the directors of Sandalwood Properties Ltd, the Responsible Entity of the Registered Scheme.

In our opinion, the accompanying financial report of the Registered Scheme is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the financial report and auditor's report thereon

The directors of the Responsible Entity are responsible for the other information. The other information is the Responsible Entity's report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Registered Scheme's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



D S Lewsen  
Partner  
Perth  
5 June 2019

TFS SANDALWOOD PROJECT 2009  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017

	30 June 2017 \$	30 June 2016 \$(restated)*
Other income and expense		
Fair value (loss) / gain on biological assets	-	-
Expenses	-	-
Operating (loss) / profit	-	-
Income tax	-	-
Net (loss) / profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	-	-

\*Refer to Note 11

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

TFS SANDALWOOD PROJECT 2009  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

	30 June 2017 \$	30 June 2016 \$ (restated)*	30 June 2015 \$ (restated)*
Non Current Assets			
Biological assets	-	-	-
Total Assets	-	-	-
Current Liabilities	-	-	-
Total Liabilities	-	-	-
Net Assets	-	-	-
Growers' Funds			
Contributions from growers	-	-	-
Undistributed income reserve	-	-	-
Total Growers' Funds	-	-	-

\*Refer to Note 11

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



TFS SANDALWOOD PROJECT 2009  
STATEMENT OF CHANGES IN GROWERS' FUNDS  
FOR THE YEAR ENDED 30 JUNE 2017

	Contributions From Growers \$	Undistributed Income Reserve \$	Total \$
Balance at 1 July 2016 - restated*	-	-	-
Total comprehensive loss for the year	-	-	-
Balance at 30 June 2017	-	-	-
Balance at 1 July 2015 – as previously reported	44,652,660	116,118,239	160,770,899
Restatement *	(44,652,660)	(116,118,239)	(160,770,899)
Balance at 1 July 2015 - restated	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 30 June 2016 - restated*	-	-	-

\*Refer to Note 11

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

TFS SANDALWOOD PROJECT 2009  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
Cash flows from operating activities		
Receipt from growers	-	-
Payments to suppliers	-	-
	-	-
Net movement in cash held	-	-
Cash at the beginning of the year	-	-
	-	-
Cash at the end of the year	-	-

All cash transactions during the year were processed and managed by the Responsible Entity and no cash payments are made and received within the project.

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

## 1. GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the TFS Sandalwood Project 2009 ("the Project" or "the Scheme") as an individual entity. The Project is a Managed Investment Scheme registered in Australia. The Scheme is expected to terminate on 30 June 2024 or at a later date, in accordance with the provisions of the Scheme Constitution.

The Responsible Entity of the Scheme is Sandalwood Properties Ltd (the "Responsible Entity").

Under the Scheme, Growers enter into a Lease and Management Agreement with the Responsible Entity and Quintis Leasing Pty Ltd (a related entity of the Responsible Entity and formerly known as TFS Leasing Pty Ltd). Under the Lease and Management Agreement, the Grower sub-leases their Sandalwood lot(s) from Quintis Leasing Pty Ltd and appoints the Responsible Entity to plant, manage and harvest the trees on the lot, as well as sell the Grower's share of the harvest of the plantation (not applicable where the Grower is an electing Grower as defined below) in consideration for the Grower agreeing to pay establishment fees, annual lease and management fees, a harvest fee and a sales and marketing fee (not applicable where the Grower is an electing Grower).

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

The Scheme will continue to be managed in accordance with the investment objective and strategy set out in the Scheme's offer document and in accordance with the Scheme Constitution.

The financial report was authorised for issue on 5 June 2019 by the Board of Directors.

### Going concern considerations

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity.

The Scheme's liquidity position is linked to its Responsible Entity, which in turn is linked to Quintis Holdco Pty Limited ("QHPL") (Parent Company of the Responsible Entity), due to on-demand loans extended to Quintis.

During the year, Quintis and its consolidated entities (together "the Quintis Group") incurred a significant net loss after tax and generated negative net cash flow from operating activities for the year ended 30 June 2017. At balance date the Quintis Group's total current liabilities also exceeded its total current assets.

Quintis was recapitalised effective 30 October 2018 after receiving A\$145 million in funding from its new shareholders. With a restructured balance sheet, Quintis is now a well-funded private company. The successful recapitalisation enabled the Quintis Group to continue as a going concern and provided the Responsible Entity with the funding support required to continue to manage and maintain Indian Sandalwood plantations as Responsible Entity for the Scheme.

After taking into account all available information, the Directors of the Scheme have concluded that there are currently reasonable grounds to believe that the preparation of the 30 June 2017 financial report on a going concern basis is appropriate.

### Basis of Preparation

These general purpose financial statements for the year ended 30 June 2017 have been prepared in accordance with requirements of the Corporations Act 2001, Australian Accounting Standards applicable to "for profit entities" and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have also been prepared on an accruals basis and is based on historical cost.

The financial statements only include Scheme property which does not include: -

- ) the application money paid by the Grower to the Responsible Entity which covers the establishment fee, upfront annual fee and upfront rent;
- ) the lease and management fees paid by the Grower to the Responsible Entity under the Lease and Management Agreement;
- ) the trees growing on each Grower's lot;
- ) the harvest produce; and
- ) the harvest proceeds received by the Responsible Entity on sale of the harvest produce held in trust for the non-electing Growers.

The Scheme has adopted all new and amended Accounting Standards and Interpretations effective as of 1 July 2016. The adoption of these new and amended Accounting Standards and Interpretations had no material impact on the financial position or performance of the project.

1. GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Functional and presentation currency

Items included in the Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(b) Significant Accounting Judgements

The Directors of the Responsible Entity (the "Directors") have applied the following key judgements in preparing these financial statements.

Establishment fees paid by Growers

The Directors do not believe that establishment fees paid by Growers to the Responsible Entity represent a contribution to the Scheme and are therefore not Scheme property. Rather these fees are paid to and are received by the Responsible Entity in discharge of the Grower's individual obligation to pay for establishment services relating to the Grower's particular leased area, not the plantation as a whole. Accordingly, establishment fees are not recognised in these financial statements.

Transactions arising from the Lease and Management Agreement

Under the Lease and Management Agreement with the Responsible Entity and Quintis Leasing Pty Ltd (, the Grower sub-leases their Sandalwood lot(s) from Quintis Leasing Pty Ltd and appoints the Responsible Entity to plant, manage and harvest the trees on the lot (not applicable where the Grower is an electing Grower as defined below), as well as sell the Grower's share of the harvest of the plantation in consideration of the Grower agreeing to pay establishment fees, annual lease and management fees, a harvest fee and a sales and marketing fee (not applicable where the grower is an electing grower).

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

Sandalwood trees and harvest produce

The Sandalwood trees established from the establishment services grow on the individual Grower's leased area. A Grower has full right, title and interest in either the Grower's proportional share of harvested trees (if an electing Grower) or the Grower's proportional share of harvest proceeds from the sale of the harvested trees (if a non-electing Grower). While there is an element of pooling to arrive at the harvested trees, the Grower retains full right, title and interest in the harvested trees. Accordingly, the Directors also believe that the Sandalwood trees and harvest produce are the assets of the Grower rather than the Scheme and as such should not be recorded in the Scheme financial statements as biological assets or inventory respectively.

Cash and cash equivalents held in trust for the Growers

Under the Scheme and Lease and Management Agreement, the Responsible Entity is required to establish separate bank accounts which are maintained by an independent custodian for certain funds received including Application Money received from Growers and gross proceeds from the sale of harvested trees for electing Growers. These bank accounts are held in the name of the Responsible Entity and maintained by an independent custodian in trust for the Growers. The Directors do not believe the funds held by the Responsible Entity in trust for the Growers become Scheme property and therefore these bank accounts have not been recorded in the Scheme financial statements.

(c) New and amended Accounting Standards and Interpretations issued but not yet effective

A number of new and amended Accounting Standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. It is not expected that these new and amended Accounting Standards (and Interpretations) will have a significant impact on the Scheme.

2. OPERATING SEGMENTS

Identification of reportable segments

The Responsible Entity has identified that the Scheme has one reportable segment which is consistent with the financial statements as a whole.

3. SUBSEQUENT EVENTS

Other than the recapitalisation of Quintis, since 30 June 2017, 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 Scheme.

4. FINANCIAL INSTRUMENTS

The Scheme holds no financial instruments.

5. RELATED PARTY DISCLOSURE

(a) Responsible Entity

The Responsible Entity of the TFS Sandalwood Project 2009 is Sandalwood Properties Ltd, whose immediate parent company is Quintis Ltd and Ultimate Holding company is Quintis Holdco Pty Limited.

(b) Directors and key management

The Directors and key management of the Responsible Entity during the period and until the date of this report were:

Mr Julius Matthys (Appointed 19 October 2018)  
Mr Kent Burwash (Chairman) (Appointed 1 November 2018)  
Mr Steve Dixon (Appointed 1 November 2018)  
Mr Greg Gaunt (Chairman) (Resigned 18 June 2018)  
Mr John Groppoli (Resigned 18 June 2018)  
Mr Rob Scott (Resigned 18 June 2018)  
Mr Dalton Gooding (Resigned 12 July 2017)  
Mr Ross Kestel (Resigned 5 July 2017)

(c) Fees paid or payable to the Responsible Entity

The Responsible Entity receives all lease and management fees which have been paid by the Growers during the year. Refer to Note 1(b) for additional detail on transactions arising from the Lease and Management Agreement.

The Responsible Entity did not charge any fees from the Scheme during the year ended 30 June 2017 (30 June 2016: nil).

The Responsible Entity provides Sandalwood plantation establishment and management services for TFS Sandalwood Project 2009 and carries out the custodial and administrative functions.

There were no related party transactions during the year. As at 30 June 2017, amounts payable between the Scheme and the Responsible Entity was nil.

(d) Holdings of Directors and Director Related Entities

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

A total of 394 units are held by the Responsible Entity or subsidiaries of Quintis and are held on the same terms and conditions as other Growers. No amounts are outstanding at year end.

(e) Key management compensation

No compensation has been paid by the project directly, or its Responsible Entity to key management personnel of Quintis.

6. COMPLIANCE MATTERS

(a) Compliance Committee

There was no Compliance Committee in the current year following the appointment of independent Directors and an independent Chairman to the Board of the Responsible Entity in the prior year. The Compliance Officer continued to be Neil Hackett in the current year. Quentin Megson was appointed Compliance Officer subsequent to year-end following Mr Neil Hackett's resignation on 31 July 2017. On 2 March 2018, Mr Quentin Megson resigned as Compliance Officer and on 26 March 2019 Mr David Mahon was appointed as Compliance Officer.

(b) Remuneration of Directors and Compliance Committee

In the current year, no fees were paid (2016: \$4,057, GST exclusive) to the Compliance Committee following the appointment of the Directors to the board of the Responsible Entity (refer to Note 6(a)). \$13,824 was paid to the Directors for provision of their services during the year ended 30 June 2017. Fees for the Scheme are borne by Sandalwood Properties Ltd, the Responsible Entity.

7. AUDITOR REMUNERATION

Ernst & Young are the auditors of the Scheme and the Scheme's compliance plan. During the year the auditors received remuneration in relation to the project of \$5,575 (2016: \$7,623). Audit fees for the Scheme are borne by Sandalwood Properties Ltd, the Responsible Entity.

8. CONTINGENT LIABILITIES

There are no contingent liabilities during the year ended 30 June 2017.

9. INCOME TAXES

Under current Australian legislation, the Scheme is not subject to income tax provided the growers are presently entitled to the income of the Scheme and the Scheme fully distributes its net taxable income.

10. PROJECT DETAILS

The registered office of the project and principal place of business is Level 2, 171-173 Mounts Bay Road, Perth WA 6000.

11. RESTATEMENT RELATING TO THE EXTENT OF TRANSACTIONS RECOGNISED IN THE FINANCIAL STATEMENTS

During the current year, the Directors determined based upon updated legal advice obtained, that for the reasons set out in Note 1 to the financial statements: -

- ) application money paid by Growers;
- ) trees growing on individual Grower's lots;
- ) harvest produce; and
- ) harvest proceeds received by the Responsible Entity on sale of the harvest produce held in trust for the non-electing Growers;

are not Scheme property and as such, should not have been recognised in the financial statements of the Scheme.

As a result, the following adjustments were made to the comparative financial information to eliminate transactions and balances relating to these items:

	30 June 2016 Audited	Adjustment	30 June 2016 (restated)
Statement of Profit or Loss and Other Comprehensive Income			
Fair value (loss) / gain on biological assets	11,252,452	(11,252,452)	-
Net (loss) / profit for the year	11,252,452	(11,252,452)	-
Total comprehensive (loss) / income for the year	11,252,452	(11,252,452)	-
Statement of Financial Position			
Biological assets	172,023,351	(172,023,351)	-
Contributions from growers	44,652,660	(44,652,660)	-
Undistributed income reserve	127,370,691	(127,370,691)	-
	30 June 2015 Audited	Adjustment	30 June 2015 (restated)
Statement of Financial Position			
Biological assets	160,770,899	(160,770,899)	-
Contributions from growers	44,652,660	(44,652,660)	-
Undistributed income reserve	116,118,239	(116,118,239)	-



## DIRECTORS' DECLARATION

---

In accordance with a resolution of the Directors of Sandalwood Properties Ltd, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of TFS Sandalwood Project 2009 for the financial year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2017 and its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulation 2001;
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and.
- (c) Subject to the matters set out in Note 1, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board  
Sandalwood Properties Ltd



Kent Burwash - Chairman  
Dated at Perth this 5<sup>th</sup> day of June 2019

## Auditor's Independence Declaration to the Directors of Sandalwood Properties Ltd, as the Responsible Entity for TFS Sandalwood Project 2009

As lead auditor for the audit of the financial report of TFS Sandalwood Project 2009 for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



D S Lewsen  
Partner  
5 June 2019