

TFS SANDALWOOD PROJECT 2007
ARSN: 123 883 830

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022



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RESPONSIBLE ENTITY'S REPORT

The Directors of Sandalwood Properties Ltd ("Responsible Entity") (ACN 093 330 977), as Responsible Entity for TFS Sandalwood Project 2007 (the "Project" or the "Scheme"), submit their report for the year ended 30 June 2022.

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 Kent Burwash (Chairman);
Mr Stephen Dixon; and
Mr Richard Henfrey.

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.

Growers include interests held by the Responsible Entity or the subsidiaries of Quintis Holdco Pty Limited ("QHPL"). At 30 June 2022 there were 1055 units (1/6 ha) held by the Responsible Entity or subsidiaries of QHPL and 2135 units held by other Growers in the Project.

Change of State of Affairs

There have been no 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 (2021: Nil) and made no distributions (2021: Nil).

COVID-19 Outbreak

In March 2020 the Coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. As a result of the necessary measures implemented by governments across the globe in response to COVID-19, the Australian agricultural sector has been impacted by social distancing and travel restrictions which in turn have also led to labour shortages being experienced in the sector. The Project is located in Western Australia and notwithstanding the impacts of COVID-19, plantation management services have been undertaken by the plantation manager throughout the COVID-19 pandemic.

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.

Expert Forester's Report for the period from 1 July 2021 to 30 June 2022

Plantation Name:	Voyager	Location:	Ivanhoe Plain (ORIA)
Description:	Lot 240, Lot 257	230.88 ha	
Planting year:	2008		
Blocks:	1, 2, 3, 4, 5, 6, 7, 8, 9		
Irrigation Method:	Flood		
Irrigation records:	Total irrigation volume across all Blocks was 12.1ML/ha	Average event volume was 2.7ML/ha over all Blocks	
Silvicultural treatments during the year			
<ul style="list-style-type: none">Broadscale spray of knockdown herbicides was used to control weeds that could impede the flow of irrigation water through the plantation. Also, this reduces the fire hazard.Interrows delved. Delving allows for the rapid transfer of irrigation water through the plantation.Irrigation volumes were slightly above target.			

RESPONSIBLE ENTITY'S REPORT

- Infrastructure has been maintained to a high standard.

General Comments:

The hosts in Voyager 9 are *Cathormion umbellatum*, *Dalbergia lanceolaria* and *Senna siamea* (also known as *Cassia siamea*). Trials are in the Block contributing to some variability. Voyager 1 has *Cathormion umbellatum* and *Dalbergia lanceolaria* as hosts. The *Cathormion umbellatum* remains healthy reflecting its adaptation to heavy soils and moist soil conditions.

Voyager 2, 3, 4, 5, 6, and 7 have *Cathormion umbellatum* and *Senna siamea* as hosts. No further deaths of *Senna siamea* are apparent following fungal infections in previous years. The sandalwood at Voyager remains healthy reflecting a series of favourable wet seasons. No waterlogging occurred during the last wet season.

Voyager 8 contains the hosts *Dalbergia lanceolaria* and *Cathormion umbellatum*. Growth continues to be average to poor in the southwest of the Block where soils are heavy.

Parts of Blocks 3, 5 and 6 are located on Aquitaine clay which impedes drainage; thus, growth of sandalwood is poor in these areas.

Generally, all the Blocks at Voyager tend to be variable with very good and poor patches throughout. As mentioned in previous reports, parts of these Blocks would benefit from a reduction in the canopy size of *Dalbergia lanceolaria* and *Senna siamea*. This is becoming critical with over topping of sandalwood becoming severe.

Plantation Name:	Rogers	Location:	Ivanhoe Plain (ORIA)
Description:	Lot 52	61.11 ha	
Planting year:	2008		
Blocks:	1, 2		
Irrigation Method:	Flood		
Irrigation records:	Total irrigation volume across both Blocks was 12.2ML/ha	Average volume per event was 3.0ML/ha	

Silvicultural treatments during the year

- Knockdown herbicides were used to spray interrows to prevent weed growth that impeded the flow of irrigation water. Also, weeds are a fire hazard.
- Volumes of irrigation water was above target.
- Infrastructure was maintained to a high standard.

General Comments:

Rogers 1 and 2 have *Cathormion umbellatum* and *Senna siamea* (also known as *Cassia siamea*) as hosts. As mentioned in previous reports most of the *Senna siamea* have died due to fungal infections and most of these Blocks are now hosted by *Cathormion umbellatum* alone. The health of *Cathormion umbellatum* has improved dramatically since the reduction in competition from *Senna siamea*. No further deaths of *Senna siamea* are apparent. Recent infilling with *Albizia lebeck* has been attempted with some success and many trees are becoming effective hosts.

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Plantation Name:	Research Station Road	Location:	Ivanhoe Plain (ORIA)
Description:	Lot 417	10.34 ha	
Planting year:	2008		
Blocks:	1.2 (RSR 3-8)		
Irrigation Method:	Flood		
Irrigation records:	Total volume applied to this block was 9.9ML/ha	Average volume per event was 2.0ML/ha	
Silvicultural treatments during the year			
<ul style="list-style-type: none"> The Block was sprayed with a knockdown herbicide to control weeds in order to improve the flow of water through the plantation and reduce the fire hazard. The volume of irrigation water applied to this Block was very close to target. Infrastructure was maintained to a high standard. 			
General Comments:			
<p><i>Dalbergia lanceolaria</i> and <i>Cathormion umbellatum</i> are the hosts in this plantation. The health and vigour of each of these species continues to improve. The Block was infilled with <i>Dalbergia latifolia</i> with little effect and has since been infilled with <i>Albizia lebbeck</i>. Growth continues and the trees appear to be effective hosts.</p> <p>Sandalwood remains healthy reflecting three seasons of optimal growth conditions.</p> <p>The combination of <i>Dalbergia lanceolaria</i> and <i>Cathormion umbellatum</i> as long term hosts appears to meet the right criteria for a successful sandalwood plantation in the ORIA. Overtopping of sandalwood by <i>Dalbergia lanceolaria</i> continues to be a problem and is having an impact on sandalwood growth but due to harvest planned for 2023 it is unlikely to provide a return on investment for hedging.</p>			

Plantation Name:	Ivanhoe	Location:	Ivanhoe Plain (ORIA)
Description:	Lot 259	229.84 ha	
Planting year:	2008		
Blocks:	1, 2, 3, 4, 5, 6, 7		
Irrigation Method:	Flood		
Irrigation records:	Total irrigation volume applied across all Blocks was 10.6ML/ha	Average event volume was 2.6ML/ha	
Silvicultural treatments during the year			
<ul style="list-style-type: none"> The interrows were sprayed with knockdown herbicides to prevent weed growth and to reduce the fire hazard. No weed control appears to have been undertaken in Blocks 6 and 7 although records indicate that two applications of a knockdown herbicide were applied. Grass is tall and presents a fire hazard. Slashing in these blocks is scheduled to commence this month. The volume of irrigation water was close to target. Blocks 1 and 2 had the interrows delved to facilitate the movement of water through the plantation. Infrastructure is well maintained. 			

RESPONSIBLE ENTITY'S REPORT

General Comments:

Ivanhoe 1 and 2 has *Senna siamea* (also known as *Cassia siamea*) and *Cathormion umbellatum* as hosts, with the former providing most of the hosting. The southern portions of these Blocks are healthier than other parts.

A change in site type stretches in a North West direction through Blocks 3 and 7 with very few sandalwood surviving in Block 6 and much of Block 7. Part of Block 3 is also affected. It appears that there is an intrusion of heavy soils that are not suited to the growth of sandalwood.

The hosts in Ivanhoe 3 are *Cathormion umbellatum* and *Senna siamea*. Many of the latter are dead while the *Cathormion umbellatum* remain healthy and are providing adequate hosting.

Ivanhoe 4 and 5 have *Senna siamea*, *Cathormion umbellatum* and *Dalbergia lanceolaria* as hosts. Ivanhoe 5 is also on heavy soils and this is reflected in the generally poor status of the plantation. *Cathormion umbellatum* is healthy, whilst the *Senna siamea* has died out. The Block tends to be poor towards the north east with low sandalwood survival. Heavy soils, disease and periods of waterlogging have contributed to the poor condition of these block. Poor establishment techniques may also be a factor.

Ivanhoe 7 contains *Senna siamea* and *Cathormion umbellatum* as hosts. Whilst the issues at Ivanhoe can be ascribed to unsuitable soils, the past three seasons have seen an improvement in growth and vigour.

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.

Events after the Reporting Period

Outbreak of COVID-19

It is not practicable to estimate the potential impact of COVID-19 on the future sale of the forest produce after the reporting date. The situation is subject to rapid change and regional variability and is dependent on measures imposed by the Australian Government and other countries, for management of the public health issue and any economic stimulus that may be provided.

Other than the possible impact of COVID-19 as disclosed above and in 'Results of Operations', no other matter or circumstance, not otherwise dealt with in the half year financial report, has significantly affected or may significantly affect the Project.

RESPONSIBLE ENTITY'S REPORT

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 18 of the report.

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



Kent Burwash - Chairman

Dated at Perth on 21 October 2022

Independent auditor's report to the growers of TFS Sandalwood Project 2007

Opinion

We have audited the financial report of TFS Sandalwood Project 2007 (the Registered Scheme), which comprises the statement of financial position as at 30 June 2022, 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 Limited (the Directors), 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 2022 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 (including Independence Standards)* (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 of the Responsible Entity 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.

A handwritten signature in black ink that reads 'Ernst and Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'L L Chirathamjaree' in a cursive style.

L L Chirathamjaree
Partner
Perth
21 October 2022

**TFS SANDALWOOD PROJECT 2007
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	30 June 2022	30 June 2021
	\$	\$
Other income and expense	-	-
Expenses	-	-
Operating (loss) / profit	-	-
Net profit for the period	-	-
Total comprehensive income for the period	-	-

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

**TFS SANDALWOOD PROJECT 2007
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	30 June 2022	30 June 2021
	\$	\$
Total Assets	-	-
Total Liabilities	-	-
Net Assets	-	-
Total Growers' Funds	-	-

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

**TFS SANDALWOOD PROJECT 2007
STATEMENT OF CHANGES IN GROWERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2022**

	Contributions From Growers \$	Undistributed Income Reserve \$	Total \$
Balance at 1 July 2021	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 30 June 2022	-	-	-
Balance at 1 July 2020	-	-	-
Total comprehensive income for the period	-	-	-
Balance at 30 June 2021	-	-	-

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

**TFS SANDALWOOD PROJECT 2007
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	30 June 2022	30 June 2021
	\$	\$
Net movement in cash held	-	-
Cash at the beginning of the period	-	-
Cash at the end of the period	-	-

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the TFS Sandalwood Project 2007 (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 ("QLPL") (a related entity of the Responsible Entity). Under the Lease and Management Agreement, the Grower sub-leases their Sandalwood lot(s) from QLPL 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 physically 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 21 October 2022 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.

Under the Scheme, Growers enter into a lease and management agreement with the Responsible Entity and QLPL. The planting, management, harvest and sale of the trees on the Sandalwood lots are conducted by the project manager, Quintis Forestry Limited ("QFL"), as appointed by the Responsible Entity. The Responsible Entity, project manager and QLPL are wholly owned subsidiaries of Quintis Holdco Pty Limited ("QHPL"). QHPL 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 QHPL (Parent Company of the Responsible Entity), due to on-demand loans extended to the Responsible Entity by wholly owned subsidiaries of QHPL.

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 2022 financial report on a going concern basis is appropriate.

Basis of Preparation

These general purpose financial statements for the year ended 30 June 2022 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 2021. The adoption of these new and amended Accounting Standards and Interpretations had no material impact on the financial position or performance of the Project.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

a) **Functional and presentation currency**

Items included in the financial report are measured using the currency of the primary economic environment in which the Scheme 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 believe that establishment fees paid by Growers to the Responsible Entity do not represent a contribution to the Scheme and therefore do not constitute Scheme property. Rather, these fees are paid to the Responsible Entity by Growers in discharge of each Grower's individual obligation to pay for establishment services relating to their 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 QLPL, the Grower sub-leases their Sandalwood lot(s) from QLPL 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 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's financial statements. The Directors believe the annual payments made by the growers to the Responsible Entity do not become Scheme property. Rather, they are paid to the Responsible Entity by Growers 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. The Scheme (representing the Growers as a whole) does not have legal title or a beneficial interest in the trees grown on the plantation lots. The Scheme operates in such a way that each Grower carries on their own forestry business on their leased Sandalwood lot. All economic benefits in the trees are held by the individual Grower and not by the Scheme as the reporting entity. Accordingly, the Directors also believe that the Sandalwood trees and harvest produce are the assets of the individual Grower rather than the Scheme and as such should not be recorded in the Scheme financial statements as biological assets or inventory respectively.

Additionally, as each Grower makes an annual funding decision under the Lease and Management Agreement to pay or defer their annual payment, the Directors also believe assignment of a fair value to biological assets as a whole is likely to result in a disconnect between the assigned value and the value of each individual Grower's interest in the trees, as the fair value of the biological assets would not reflect each individual Grower's funding decisions under the Lease and Management Agreement which could impact the individual Grower's returns upon harvest.

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 2022, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Ongoing impact of COVID-19

It is not practicable to estimate the potential impact of COVID-19 on the future sale of the forest produce after the reporting date. The situation is subject to rapid change and regional variability and is dependent on measures imposed by the Australian Government and other countries, for management of the public health issue and any economic stimulus that may be provided.

Other than the possible impact of COVID-19 as disclosed above and in 'Results of Operations', no other matter or circumstance, not otherwise dealt with in the half year financial report, has significantly affected or may significantly affect the Project.

4. FINANCIAL INSTRUMENTS

The Scheme holds no financial instruments.

5. RELATED PARTY DISCLOSURE

a) **Responsible Entity**

The Responsible Entity of TFS Sandalwood Project 2007 is Sandalwood Properties Ltd, whose immediate parent company is Quintis (Australia) Pty Limited and ultimate holding company is Quintis Holdco Pty Limited.

b) **Fees paid or payable to the Responsible Entity**

The Responsible Entity did not charge any fees to the Scheme during the year ended 30 June 2022 (2021: nil).

The Responsible Entity provides Sandalwood plantation establishment and management services for TFS Sandalwood Project 2007 and carries out the custodial and administrative functions. There were no transactions during the year and amounts payable at 30 June 2022 between the Scheme and the Responsible Entity were nil (2021: nil).

c) **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 1055 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.

d) **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**

Mr David Mahon was appointed as Compliance Officer on 26 March 2019 and held the position until 16 June 2022. Mr David Renton was appointed as Compliance Officer on 16 June 2022.

b) **Remuneration of Directors and Compliance Committee**

In the current year, no fees were paid (2021: nil) to the Compliance Committee following the appointment of the Directors to the board of the Responsible Entity (refer to Note 6(a)). \$10,909 was paid (2021: \$10,909) to the Directors for provision of their services during the year ended 30 June 2022.

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 \$4,255 (2021: \$4,218).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

8. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2022 (2021: nil).

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 1, 87 Colin Street, West Perth WA 6005.

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 2007 for the year ended 30 June 2022 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 2022 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- c) 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 on 21 October 2022.



**Building a better
working world**

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Auditor's independence declaration to the directors of Sandalwood Properties Ltd, as the responsible entity for TFS Sandalwood Project 2007

As lead auditor for the audit of the financial report of TFS Sandalwood Project 2007 for the financial year ended 30 June 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Ernst and Young".

Ernst & Young

A handwritten signature in black ink that reads "L L Chirathamjaree".

L L Chirathamjaree
Partner
21 October 2022