



**Bendigo** Wealth

# Bendigo Managed Wholesale Funds

**Annual Report 2011**

Sandhurst IML Industrial Share Fund

ARSN 095 143 294

The Responsible Entity and issuer of Bendigo Managed Wholesale Funds is Sandhurst Trustees Limited ABN 16 004 030 737 AFSL No 237906  
a subsidiary of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL No 237879

Issued by **Sandhurst Trustees**

**Sandhurst IML Industrial Share Fund  
Financial Report for the year ended 30 June 2011**

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**Report by the directors of the responsible entity**

The Directors of the Responsible Entity, Sandhurst Trustees Limited, present this report on the Sandhurst IML Industrial Share Fund (the "Fund") for the year ended 30 June 2011.

**Directors**

The name of each person who has been a director of Sandhurst Trustees Limited during the financial year and to the date of this report are:

|                       |                               |
|-----------------------|-------------------------------|
| Jennifer Lynn Dawson  | Chairman                      |
| Ian George Mansbridge |                               |
| Marnie Ann Baker      |                               |
| John Billington       | (Appointed 28 September 2010) |

**Principal activities**

The principal activity of the Fund during the year was the investment in the Sandhurst Industrial Share Fund. The Fund provides an ongoing investment opportunity to participate in the growth of the Australian share market and, in particular, Australian industrial companies. The Fund is invested primarily in Australian industrial shares, and listed property trusts included in the S&P/ASX 300 Accumulation Industrial Index.

The investment manager of the Fund is Investors Mutual Limited (ABN 14078030752).

No significant change in the nature of these activities occurred during the year.

**Managed investment scheme**

The Fund is an Australian registered scheme, and was constituted on 16 November 2000. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

**Net assets attributable to unitholders**

Net assets attributable to unitholders are classified and disclosed as a liability in the Statement of Financial Position. Consequently, the Fund has recognised distributions to unitholders as a finance cost in the Statement of Comprehensive Income.

**Review of Results and Operations**

| Results and distributions  | 2011<br>\$'000 | 2010<br>\$'000 |
|--|----------------|----------------|
| Net profit/(loss) attributable to unitholders (before finance costs) | 13,253         | 16,913         |

Distribution to unitholders paid and payable in respect of the financial year were:

|                                    | 2011         |                | 2010   |                |
|------------------------------------|--------------|----------------|--------|----------------|
|                                    | \$'000       | Cents per Unit | \$'000 | Cents per Unit |
| <b>Interim distributions paid</b>  | 3,654        | 3.26           | 3,327  | 2.78           |
| <b>Final distributions payable</b> | 1,960        | 1.80           | 1,945  | 1.67           |
|                                    | <b>5,614</b> | <b>5.06</b>    | 5,272  | 4.45           |

**Report by the directors of the responsible entity (continued)**

**Performance**

The annual performance of the Fund over each of the past five years is summarised in the following table:

|                     | <b>2011</b>  | <b>2010</b> | <b>2009</b>    | <b>2008</b> | <b>2007</b>  |
|---------------------|--------------|-------------|----------------|-------------|--------------|
|                     | %            | %           | %              | %           | %            |
| Growth return       | <b>6.67</b>  | 9.99        | <b>(12.09)</b> | (35.15)     | <b>12.91</b> |
| Distribution return | <b>5.07</b>  | 4.59        | <b>5.68</b>    | 11.07       | <b>14.30</b> |
| Total return        | <b>11.74</b> | 14.58       | <b>(6.41)</b>  | (24.08)     | <b>27.21</b> |
| Benchmark return    | <b>9.20</b>  | 14.50       | <b>(14.50)</b> | (26.70)     | <b>29.50</b> |

The growth return is calculated as the return derived by a unitholder due to changes in capital value over the period. The distribution return is the return derived by a unitholder due to distributions paid by the Fund. The total return is calculated as the investment performance of the Fund assuming the reinvestment of all distributions back into the Fund. The benchmark for the Fund is the S&P/ASX 300 Industrial Accumulation Index.

**Significant changes in state of affairs**

No significant changes in the Fund's state of affairs occurred during the year.

**Indirect Cost Ratio**

The Indirect Cost Ratio (ICR) is the ratio of the Fund's management costs over the Fund's average net assets attributable for the year, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Fund but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Fund.

The ICR for the Fund for the year ended 30 June 2011 is 0.95% (2010: 0.95%).

**Significant events after the balance date**

There has been no matter or circumstance that has arisen since the end of the financial year that significantly affected, or may affect, the Fund's operation in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

**Likely developments and expected results**

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives as detailed in the most recent Product Disclosure Statement.

**Environmental regulation and expected results**

The operations of the Fund are not subject to any particular or significant environmental regulation 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 Fund.

**Options**

No options over units in the Fund were granted during or since the end of the year and there were no options outstanding at the date of this report.

**Report by the directors of the responsible entity (continued)**

**Indemnities and insurance premiums for officers or directors**

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

During the financial year the Responsible Entity paid a premium under a contract insuring each Director and officer of the Responsible Entity against liability and legal expenses incurred in their respective capacities. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been directors of the Responsible Entity or executive officers of the Responsible Entity.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Responsible Entity has not provided any insurance to a related body corporate or to an auditor of the Responsible Entity.

**Units on Issue**

The movement in units on issue of the Fund for the year was as follows:

|                              | 2011<br>'000 | 2010<br>'000 |
|------------------------------|--------------|--------------|
| Units issued                 | 13,648       | 10,677       |
| Units redeemed               | (20,762)     | (16,088)     |
| Units on issue as at 30 June | 109,200      | 116,314      |

|  | 2011<br>\$'000 | 2010<br>\$'000 |
|--|----------------|----------------|
| Value of total Fund assets as at 30 June | 120,721        | 120,798        |

The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.

**Interests of the Responsible Entity**

The Responsible Entity and its associates have not held any units in the Fund during the financial year.

The following fees were paid to Sandhurst Trustees Limited and its associates out of the Fund during the financial year:

|   | 2011<br>\$'000 | 2010<br>\$'000 |
|---|----------------|----------------|
| Management fees paid/payable directly by the Fund | 1,133          | 1,196          |

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration is set out on the following page.

**Rounding**

The amounts contained in the financial report and the Directors' report have been rounded off under the option under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies, and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink that reads "Jennifer Dawson". The signature is written in a cursive, flowing style.

Jennifer L Dawson  
Director  
25 August 2011



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## Auditors' Independence Declaration to the Directors of Sandhurst Trustees Limited, as Responsible Entity for the Sandhurst IML Industrial Share Fund

In relation to our audit of the financial report of Sandhurst IML Industrial Share Fund for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



T M Dring  
Partner  
25 August 2011



Richmond Sinnott & Delahunty



Warren Sinnott  
Partner  
25 August 2011

**Statement of Comprehensive Income**  
**For the year ended 30 June 2011**

|   | <b>Note</b> | <b>2011<br/>\$'000</b> | <b>2010<br/>\$'000</b> |
|---|-------------|------------------------|------------------------|
| <b>Income</b>   |             |                        |                        |
| Interest revenue  | 3           | 27                     | 20                     |
| Dividend revenue  |             | 4,229                  | 3,816                  |
| Changes in fair value of investments  | 13          | 7,640                  | 11,637                 |
| Management Fee Rebates  |             | 2,498                  | 2,642                  |
|   |             | <u>14,394</u>          | <u>18,115</u>          |
| <b>Expenses</b>   |             |                        |                        |
| Management fees   | 12(iii)     | (1,133)                | (1,196)                |
| Auditors' remuneration  | 14          | (4)                    | (4)                    |
| Other expenses  |             | (4)                    | (2)                    |
|   |             | <u>(1,141)</u>         | <u>(1,202)</u>         |
| <b>Net profit/(loss) attributable to Unitholders<br/>(before finance costs)</b> |             | <b>13,253</b>          | <b>16,913</b>          |
| <b>Finance Costs</b>  |             |                        |                        |
| Distributions to unitholders  | 8           | (5,614)                | (5,272)                |
| <b>Change in Net Assets attributable to Unitholders</b>                         |             | <u><b>7,639</b></u>    | <u><b>11,641</b></u>   |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

**Statement of Financial Position**  
**As at 30 June 2011**

|   | <b>Note</b> | <b>2011<br/>\$'000</b> | <b>2010<br/>\$'000</b> |
|---|-------------|------------------------|------------------------|
| <b>Assets</b>   |             |                        |                        |
| Cash assets   |             | 631                    | 458                    |
| Trade and other receivables                               | 4           | 1,917                  | 1,890                  |
| Investments in financial assets                           |             |                        |                        |
| At fair value through profit or loss                      | 5           | 118,173                | 118,450                |
| <b>Total Assets</b>                                       |             | <b>120,721</b>         | <b>120,798</b>         |
| <b>Liabilities</b>  |             |                        |                        |
| Trade and other payables                                  | 6           | 311                    | 327                    |
| Distribution payable                                      |             | 1,960                  | 1,945                  |
| <b>Total liabilities</b>                                  |             | <b>2,271</b>           | <b>2,272</b>           |
| <b>(excluding Net Assets attributable to Unitholders)</b> |             |                        |                        |
| <b>Net Assets attributable to Unitholders (Liability)</b> | <b>7(b)</b> | <b>118,450</b>         | <b>118,526</b>         |

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 30 June 2011**

|  | <b>2011</b>     | <b>2010</b>   |
|--|-----------------|---------------|
|  | <b>\$'000</b>   | <b>\$'000</b> |
| <b>Opening Balance</b>   | <b>118,526</b>  | 112,773       |
| Net profit/(loss) attributable to unitholders (before finance costs) | <b>13,253</b>   | 16,913        |
| Distribution to unitholders  | <b>(5,614)</b>  | (5,272)       |
| Application for units  | <b>14,443</b>   | 10,884        |
| Redemption of units  | <b>(22,158)</b> | (16,772)      |
| <b>Closing Balance</b>   | <b>118,450</b>  | 118,526       |

The above Statement of Changes in Net Assets attributable to Unitholders should be read in conjunction with the accompanying notes to the financial statements.

**Statement of Cash Flows**  
**For the year ended 30 June 2011**

|  | Note        | 2011<br>\$'000  | 2010<br>\$'000  |
|--|-------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>  |             |                 |                 |
| Interest received  |             | 27              | 20              |
| Dividends received   |             | 4,165           | 4,753           |
| GST received   |             | 84              | 85              |
| Other income   |             | 2,533           | 1,924           |
| Management fees  |             | (1,232)         | (1,243)         |
| Audit fees   |             | (4)             | (5)             |
| Other expenses   |             | (4)             | (4)             |
| <b>Net cash flows from/(used in) operating activities</b>                                  | <b>9(b)</b> | <b>5,569</b>    | <b>5,530</b>    |
| <b>Cash flows from investing activities</b>  |             |                 |                 |
| Proceeds from the sale of securities designated<br>as at fair value through profit or loss |             | 9,792           | 6,510           |
| Payments for purchase of securities designated<br>as at fair value through profit or loss  |             | (1,875)         | (800)           |
| <b>Net cash flows from/(used in) investing activities</b>                                  |             | <b>7,917</b>    | <b>5,710</b>    |
| <b>Cash flows from financing activities</b>  |             |                 |                 |
| Proceeds from applications by unitholders  |             | 8,863           | 7,665           |
| Payments for redemptions by unitholders  |             | (19,672)        | (16,390)        |
| Distribution paid  |             | (2,504)         | (2,613)         |
| <b>Net cash (used in)/provided by financing activities</b>                                 |             | <b>(13,313)</b> | <b>(11,338)</b> |
| <b>Net (decrease)/increase in cash held</b>  |             | <b>173</b>      | <b>(98)</b>     |
| Cash at the beginning of the year  |             | 458             | 556             |
| <b>Cash at the end of the year</b>   | <b>9(a)</b> | <b>631</b>      | <b>458</b>      |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

## **Notes to the Financial Statements**

### **1. Corporate information**

The financial report of the Fund for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 25 August 2011. The Fund is a Managed Investment Scheme, constituted on 16 November 2000. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The nature of operations and principal activities of the Fund are described in the Report by the Directors of the Responsible Entity.

### **2. Summary of significant accounting policies**

#### **(a) *Basis of Preparation***

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared in accordance with the historical cost convention, except for the valuation of investments in financial assets, which have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Additional information regarding this is included in the relevant notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

#### **(b) *Statement of compliance***

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

#### **(c) *Investments***

##### *Classification*

The Fund classifies its financial assets and financial liabilities into the category below in accordance with AASB 139.

##### **Financial instruments designated as at fair value through profit or loss upon initial recognition**

These include equity securities and debt instruments that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

##### *Recognition*

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund commits to purchase or sell the asset.

##### *Derecognition*

Derecognition occurs when the Fund transfers a financial asset and is no longer exposed to substantially all of the risks and rewards of the asset. Where the Fund neither retains nor transfers substantially all of the risks and rewards of the financial asset, derecognition occurs when the Fund no longer controls the asset.

##### *Initial measurement*

All investments are initially recognised at fair value, being the fair value of the consideration paid excluding transaction costs. After initial recognition, financial assets designated as at fair value through profit or loss are revalued to fair value at each reporting date, with changes in their fair value recognised in the profit and loss.

The fair value of units in Managed Investment Schemes is determined by reference to published bid prices at the close of business on the Statement of Financial Position date being the redemption price as established by the underlying Fund's responsible entity.

**(c) Investments (cont.)**

*Subsequent measurement*

Gains or losses on investments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. Changes in fair values are recorded in 'Changes in fair value of investments designated at fair value through the profit and loss'. Investments of the Fund which are considered to be at fair value through profit or loss are equity securities, derivatives and interest bearing securities which there is no positive intention to hold to maturity.

**(d) Income Tax**

Under current legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income. The new legislation Taxation of Financial Arrangements has been implemented effective 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements. The Fund made a transitional election to bring pre-existing arrangements into TOFA, which will result in deferred tax balances of affected financial arrangements progressively reversing over a four year period.

**(e) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash at bank and deposits at call, which are readily convertible to cash.

**(f) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Dividend income*

Dividends are recognised as income when the right to receive the payment is established.

*Interest income*

Income on cash deposit is recognised on an accrual basis, using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

*Changes in the fair value of investments*

Gains and losses on investments are calculated as the difference between the fair value at sale, or at the year end, and the fair value at the previous valuation point. This includes both realised gains and losses and unrealised gains and losses, but does not include interest or dividend interest.

**(g) Receivables**

Receivables are recognised and carried at the nominal amount, less a provision for any uncollectible debts. Amounts are generally received within 30 days of being recorded as receivables. Outstanding trade receivables are usually settled within three days.

**(h) Distributions paid /payable**

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable at the end of each half year. Such distributions are determined by reference to the taxable income of the Fund. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

**(i) Payables**

Liabilities for creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund. Payables include outstanding settlements on the purchase of investments and the distribution payable. The carrying period is dictated by market conditions and is generally less than 30 days. Outstanding trade payables are usually settled within three days.

**(j) *Change in net assets attributable to unitholders***

Non-distributable income is retained in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses or tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously retained in net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year as it becomes assessable for tax.

**(k) *Unit Prices***

Unit Prices are determined in accordance with the Fund's Constitution and are calculated on the net assets attributable to unitholders of the Fund, less estimated costs divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

**(l) *Terms and conditions on units***

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

*Redeemable units*

Redeemable units are redeemable at the unitholder's option at anytime for cash equal to a proportionate share of the Fund's net asset value (calculated in accordance with redemption requirements) and are classified as financial liabilities. The financial liability is disclosed on the Statement of Financial Position as 'Net Assets attributable to Unitholders (Liability)'. The units are classified as financial liabilities due to the fact that, in addition to the contractual obligation to pay cash to unitholders' upon redemption, the Fund also has compulsory distribution clauses in the Fund's Constitution.

The liabilities arising from the redeemable units are carried at the redemption amount being the net asset value calculated in accordance with redemption requirements. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders (calculated in accordance with redemption requirements) by the number of units on issue.

This valuation of net assets is different from the IFRS valuation requirements. The difference between the two valuations is presented in Note 7(b) as 'Adjustment from sell-market prices to bid-market prices'.

For the purpose of calculating the net assets attributable to unitholders in accordance with the Fund's redemption requirements, the Fund's assets and liabilities are valued on the basis of mid-market prices.

**(m) Goods and services tax (GST)**

Income, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.

Expenses incurred by the Fund are recognised net of the amount of GST which is able to be recovered from the Australian Taxation Office (ATO). Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**(n) Application of Accounting Standards**

Australian Accounting Standards that have recently been issued but are not yet effective have not been adopted for the annual reporting period ending 30 June 2011.

| AASB<br>Amendment/<br>Standard | Title  | Nature of change to accounting policy   | Application date<br>of Standard | Application date<br>for the scheme |
|--------------------------------|--|---|---------------------------------|------------------------------------|
| AASB 9                         | AASB 9 Financial Instruments   | AASB 9 includes requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). AASB 9 applies to annual reporting periods beginning on or after 1 January 2013, however it may be early adopted for annual reporting periods ending on or after 31 December 2009. The Fund has not early adopted AASB 9 for the year ended 30 June 2011. Given that the Fund's investments are all currently measured at fair value through profit or loss, it is not anticipated that adoption of AASB 9 will have a significant impact on the Fund. | 1 Jan 2013                      | 1 Jul 2013                         |
| AASB 2009-11                   | Amendments to Australian Accounting Standards arising from AASB 9<br><br>[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] | These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets.   | 1 Jan 2013                      | 1 Jul 2013                         |
| AASB 2009-12                   | Amendments to Australian Accounting Standards  | This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.  | 1 Jan 2011                      | 1 Jul 2011                         |
| AASB 124 (Revised)             | Related Party Disclosures (December 2009)  | The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.   | 1 Jan 2011                      | 1 Jul 2011                         |
| AASB 1053                      | Application of Tiers of Australian Accounting Standards  | This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.  | 1 Jul 2013                      | 1 Jul 2013                         |
| AASB 1054                      | Australian Additional Disclosures  | This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. It relocates all Australian specific disclosures from other standards to one place and revises certain other disclosures.  | 1 Jul 2011                      | 1 Jul 2011                         |

(n) *Application of Accounting Standards (Continued)*

| AASB<br>Amendment/<br>Standard | Title  | Nature of change to accounting policy   | Application date<br>of Standard | Application date<br>for the scheme |
|--------------------------------|--|---|---------------------------------|------------------------------------|
| AASB 2010-4                    | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]  | Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.  | 1 Jan 2011                      | 1 Jul 2011                         |
| AASB 2010-5                    | Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]   | This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements. | 1 Jan 2011                      | 1 Jul 2011                         |
| AASB 2010-7                    | Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]            | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained.   | 1 Jan 2013                      | 1 Jul 2013                         |
| AASB 2011-1                    | Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113] | This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.   | 1 Jul 2011                      | 1 Jul 2011                         |

If these accounting standards had been adopted, we do not believe that there would have been a material impact to either the Statement of Comprehensive Income for the year to 30 June 2011 or the Statement of Financial Position as at 30 June 2011.

**(o) Changes in Accounting Policies**

The impact of new or amended Australian Accounting Standards and interpretations has been assessed and to the extent applicable to the Fund for the annual reporting period ended 30 June 2011 are outlined in the table below.

| AASB Amendment/<br>Standard | Title  | Nature of change to accounting policy  |
|-----------------------------|--|--|
| AASB 2009-5                 | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project<br><br>[AASB 5, 8, 101, 107, 117, 118, 136 & 139] | Amendments to Standards resulting in accounting changes for presentation, recognition or measurement purposes, some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. |

**(p) Significant accounting judgments and estimates**

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

*Fair value of financial instruments.*

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

**(q) Functional Currency**

The primary objective of the Fund is to generate returns in Australian Dollars, its funding currency. The liquidity of the Fund is managed on a day-to-day basis in Australian Dollars in order to handle the issue and redemption of the Fund's units. The Fund's performance is evaluated in Australian Dollars. Therefore, management considers the Australian Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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|   | 2011<br>\$'000 | 2010<br>\$'000 |
|---|----------------|----------------|
| <b>3. Interest Revenue</b>  | <b>27</b>      | <b>20</b>      |
| Interest revenue  | 27             | 20             |
| <b>4. Trade and other receivables</b>                                       |                |                |
| Sundry debtors  | 640            | 677            |
| Dividends receivable  | 1,277          | 1,213          |
|   | <b>1,917</b>   | <b>1,890</b>   |
| Refer to Note 2(g) for terms and conditions of trade and other receivables. |                |                |
| <b>5. Financial assets at fair value through profit or loss</b>             |                |                |
| Unlisted managed investment schemes   | 118,173        | 118,450        |
|   | <b>118,173</b> | <b>118,450</b> |

**Fair value of financial instruments**

The fair value of units in unlisted managed investment schemes (including investments in schemes that have suspended daily redemptions) is determined by reference to published bid prices at the close of business on the reporting date, being the redemption price as established by the underlying fund's responsible entity.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>As at 30 June 2011</b>                                    |                   |                   |                   |                 |
| <b>Financial assets at fair value through profit or loss</b> |                   |                   |                   |                 |
| Unlisted managed investment schemes                          | -                 | 118,173           | -                 | 118,173         |
|  | -                 | 118,173           | -                 | 118,173         |
| <b>As at 30 June 2010</b>                                    |                   |                   |                   |                 |
| <b>Financial assets at fair value through profit or loss</b> |                   |                   |                   |                 |
| Unlisted managed investment schemes                          | -                 | 118,450           | -                 | 118,450         |
|  | -                 | 118,450           | -                 | 118,450         |

|                                    | 2011<br>\$'000 | 2010<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>6. Trade and other payables</b> |                |                |
| Trade payables                     | 302            | 318            |
| Sundry creditors                   | 9              | 9              |
|                                    | <b>311</b>     | <b>327</b>     |

Refer to Note 2(i) for terms and conditions of trade and other payables.

|   | 2011<br>Units<br>'000 | 2010<br>Units<br>'000 |
|---|-----------------------|-----------------------|
| <b>7. <u>Net assets attributable to unitholders</u></b> |                       |                       |
| <b>(a) <i>Units on issue</i></b>                        |                       |                       |
| Balance at the beginning of the year                    | 116,314               | 121,725               |
| Applications  |                       |                       |
| - Cash  | 10,709                | 7,940                 |
| - Reinvested distributions                              | 2,939                 | 2,737                 |
| Redemptions   | (20,762)              | (16,088)              |
| Balance at the end of the year                          | <b>109,200</b>        | <b>116,314</b>        |

The terms and conditions attached to units in the Fund can be found in Note 2(l).

|  | 2011<br>\$'000 | 2010<br>\$'000 |
|--|----------------|----------------|
| <b>(b) <i>Reconciliation of net assets attributable to unitholders</i></b>                             |                |                |
| Net assets attributable to unitholders (calculated in accordance with redemption requirements)         | 118,750        | 118,826        |
| Adjustment from sell-market prices to bid-markets prices   | (300)          | (300)          |
| Net assets attributable to unitholders (calculated in accordance with Australian Accounting Standards) | <b>118,450</b> | <b>118,526</b> |
| <b>(c) <i>Components of net assets attributable to unitholders</i></b>                                 |                |                |
| Included within closing net assets attributable to unitholders are the following amounts:              |                |                |
| Non-cash transfers   | 2,486          | 382            |

Non-cash transfers represent applications and redemptions in which ownership of the units has changed but do not result in a cash flow to the Fund.

For movements in unitholder's funds refer to the Statement of Changes in Net Assets Attributable to Unitholders.

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|  | 2011         |             | 2010         |             |
|--|--------------|-------------|--------------|-------------|
|  | \$'000       | CPU         | \$'000       | CPU         |
| <b>8. Distributions to unitholders</b> |              |             |              |             |
| <b>Interim distributions paid</b>      |              |             |              |             |
| 31 December                            | 3,654        | 3.26        | 3,327        | 2.78        |
| <b>Final distribution payable</b>      |              |             |              |             |
| 30 June                                | 1,960        | 1.80        | 1,945        | 1.67        |
| Distributions to unitholders           | <b>5,614</b> | <b>5.06</b> | <b>5,272</b> | <b>4.45</b> |

The component of the final distribution for the year which was unpaid at balance date is shown in the Statement of Financial Position.

|   | 2011         | 2010         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| <b>9. Notes to the Statement of Cash Flows</b>  |              |              |
| <b>(a) Reconciliation of cash</b>   |              |              |
| Cash at bank  | 631          | 458          |
| <b>(b) Reconciliation of net profit attributable to unitholders to net cash flows from operating activities</b>                     |              |              |
| Change in Net assets attributable to unitholders  | 7,639        | 11,641       |
| Adjustments for:  |              |              |
| Distributions to unitholders  | 5,614        | 5,272        |
| Changes in fair value of investments held at fair value through profit or loss  | (7,640)      | (11,637)     |
| (Increase)/decrease in dividends receivable   | (65)         | 303          |
| (Increase)/decrease in sundry debtors   | 37           | (87)         |
| Increase/(decrease) in sundry creditors   | -            | (3)          |
| Participation in dividend reinvestment plans  | (16)         | 41           |
| Net Cash provided by operating activities   | <b>5,569</b> | <b>5,530</b> |
| <b>(c) Non-Cash financing activities</b>  |              |              |
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan. | <b>3,094</b> | <b>2,838</b> |

**10. Financial risk management objectives and policies**

**(a) *Financial risk management objectives, policies and processes***

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to market risk, liquidity risk and credit risk. Financial instruments of the Fund comprise investments in financial assets for the purpose of generating a return on the investment for unitholders.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and the net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is discussed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflects the investment strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

**(b) *Credit Risk***

Credit risk represents the risk that a counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the receivables as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. The risk of counterparty default is deemed to be low as the receivables disclosed in the Statement of Financial Position are mainly dividends receivable.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive values.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

**(c) *Liquidity Risk***

Liquidity risk is the risk that the Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. To control liquidity and cash flow risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible into cash. In addition, the Fund invests within established limits in order to avoid excessive concentration of risk.

***Maturity analysis for financial liabilities***

Financial liabilities of the Fund comprise trade and other payables, distributions payable, derivative instruments and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

The table below summarises the maturity profile of the Fund's financial liabilities and gross-settled derivatives based on contractual undiscounted cash flows.

The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. Balances due within 6 months equal their carrying amounts, as the impact of discounting is insignificant.

**10. Financial risk management objectives and policies (continued)**

|  | Less than<br>1 month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 to 6<br>months<br>\$'000 | 6 to 12<br>months<br>\$'000 | Total<br>\$'000 |
|--|--------------------------------|----------------------------|----------------------------|-----------------------------|-----------------|
| <b>As at 30 June 2011</b>              |                                |                            |                            |                             |                 |
| <b>Financial liabilities</b>           |                                |                            |                            |                             |                 |
| Trade and other payables               | 311                            | -                          | -                          | -                           | 311             |
| Distribution payable                   | 1,960                          | -                          | -                          | -                           | 1,960           |
| Net assets attributable to Unitholders | 118,450                        | -                          | -                          | -                           | 118,450         |
|  | 120,721                        | -                          | -                          | -                           | 120,721         |
| <b>As at 30 June 2010</b>              |                                |                            |                            |                             |                 |
| <b>Financial liabilities</b>           |                                |                            |                            |                             |                 |
| Trade and other payables               | 327                            | -                          | -                          | -                           | 327             |
| Distribution payable                   | 1,945                          | -                          | -                          | -                           | 1,945           |
| Net assets attributable to Unitholders | 118,526                        | -                          | -                          | -                           | 118,526         |
|  | 120,798                        | -                          | -                          | -                           | 120,798         |

**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Fund does not have a significant exposure or concentration of interest rate risk.

*Equity Price Risk*

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the markets. Equity price risk exposure arises from the Fund's investment portfolio.

The effect on the net assets attributable to unitholders and operating profit before distribution due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant as indicated in the following table.

**Accounting assumptions-Variability of equity prices**

The sensitivity is based on the volatility of change in the S&P/ASX 300 Industrial Accumulation Index over the last 5 years. The volatility is the standard deviation of the index on a monthly basis. The Fund invests in shares from this index however this analysis is an indication only of the effect on net assets attributable to unitholders. It cannot be assumed that the fund will move exactly in line with the index.

| S&P/ASX 300 Industrial<br>Accumulation Index | Changes in equity price |               | Effect on net assets<br>attributable to<br>unitholders/effect on<br>net profit/(loss) |                    |
|--|-------------------------|---------------|---|--------------------|
|  | Increase<br>%           | Decrease<br>% | Increase<br>\$'000  | Decrease<br>\$'000 |
| <b>2011</b>                                  |                         |               |   |                    |
| Unlisted managed investment schemes          | 16                      | (16)          | 18,908  | (18,908)           |
| <b>2010</b>                                  |                         |               |   |                    |
| Unlisted managed investment schemes          | 16                      | (16)          | 18,952  | (18,952)           |

**11. Segmental information**

The Fund operates in one business segment, being investment management. The Fund also operates from one geographic location, being Australia, from where its investing activities are managed, and all securities invested are listed in Australia.

**12. Related party disclosures**

***Responsible Entity***

- (i) The Responsible Entity of the Fund is Sandhurst Trustees Limited (Sandhurst).

The controlling entity of Sandhurst is Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

Directors of Sandhurst Trustees Limited during the financial year and to the date of this report are:

Jennifer Lynn Dawson    Chairman  
 Ian George Mansbridge  
 Marnie Ann Baker  
 John Billington            (Appointed 28 September 2010)

The above named directors form the key management personnel of the Fund.

- (ii) Directors, officers and employees of the Responsible Entity and related body corporate may hold units in the Fund. Such transactions are completed on an arms length basis, except discounts on the application fee may be offered from time to time subject to provisions of the Corporations Act 2001.

No amount is paid by the Fund directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Fund to the Directors as Key Management Personnel.

(iii) ***Responsible entity fees and other transactions***

|   | <b>2011</b>   | 2010   |
|---|---------------|--------|
|   | <b>\$'000</b> | \$'000 |
| The amount of units held by the Responsible Entity in the Fund  | <b>Nil</b>    | Nil    |
| Management fees paid/payable to Sandhurst Trustees Limited as the (RE) in accordance with the provisions of the Fund's Constitution | <b>1,133</b>  | 1,196  |
| Other fees payable to Sandhurst Trustees Limited as at reporting date   | <b>Nil</b>    | Nil    |
| Loans, shares, options and other equity holdings to directors of the Responsible Entity   | <b>Nil</b>    | Nil    |

The Fund has not made or given, guaranteed or secured, directly or indirectly, any loans, shares, options and other equity holdings to the directors or their personally-related entities at any time during the reporting year.

- (iv) Cash assets of the Fund are held in a cash management account with Bendigo and Adelaide Bank Limited, the parent entity of Sandhurst Trustees Limited as Responsible Entity of the Fund. All interest earned as disclosed in Note 3 to the accounts is derived from this account.

***Terms and conditions of transactions with related parties***

All related party transactions are made in arms length transactions on normal commercial terms and conditions.

Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

**12. Related party disclosures (continued)**

- (v) Details of investments held by the Fund, in other funds of which Sandhurst Trustees Limited is also the Responsible Entity are set out below:

|                                 | <b>Market value of unitholdings</b> | <b>Market Value of unitholdings</b> | <b>% Interest held</b> | <b>% Interest held</b> | <b>Distributions received or receivable</b> | <b>Distributions received or receivable</b> |
|---------------------------------|-------------------------------------|-------------------------------------|------------------------|------------------------|---|---|
|                                 | <b>2011</b>                         | <b>2010</b>                         | <b>2011</b>            | <b>2010</b>            | <b>2011</b>                                 | <b>2010</b>                                 |
|                                 | <b>\$'000</b>                       | <b>\$'000</b>                       | <b>%</b>               | <b>%</b>               | <b>\$'000</b>                               | <b>\$'000</b>                               |
| Sandhurst Industrial Share Fund | <b>118,173</b>                      | 118,453                             | <b>48.41%</b>          | 46.20%                 | <b>4,229</b>                                | 3,816                                       |

|                                 | <b>Number of units held at balance date</b> | <b>Number of units acquired during year</b> | <b>Number of units disposed during year</b> |
|---------------------------------|---|---|---|
|                                 | <b>'000</b>                                 | <b>'000</b>                                 | <b>'000</b>                                 |
| <b>2011</b>                     |   |   |   |
| Sandhurst Industrial Share Fund | <b>87,082</b>                               | <b>1,384</b>                                | <b>7,259</b>                                |
| <b>2010</b>                     |   |   |   |
| Sandhurst Industrial Share Fund | 92,957                                      | 580   | 4,797                                       |

The principal activity of the Sandhurst IML Industrial Share Fund during the year was the investment in the Sandhurst Industrial Share Fund. The Sandhurst Industrial Share Fund provides an ongoing investment opportunity to participate in the growth of the Australian share market and, in particular, Australian industrial companies. The Sandhurst Industrial Share Fund will be invested primarily in Australian industrial shares, and listed property trusts included in the S&P/ASX 300 Accumulation Industrials Index.

**13. Changes in net market value of investments**

|   | <b>2011</b>   | <b>2010</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Realised capital gains/(losses) during the year   | <b>(968)</b>  | (729)         |
| Unrealised capital gains/(losses) during the year | <b>8,608</b>  | 12,366        |
|   | <b>7,640</b>  | 11,637        |

**14. Auditors' remuneration (expressed in whole dollars)**

|   | <b>2011</b>  | <b>2010</b> |
|---|--------------|-------------|
|   | <b>\$</b>    | <b>\$</b>   |
| Amounts received or due and receivable by Ernst & Young and Richmond Sinnott & Delahunty for: |              |             |
| - an audit and review of the financial report of the Fund                                     | <b>2,115</b> | 2,250       |
| - compliance plan audit - Ernst & Young   | <b>1,500</b> | 1,430       |
|   | <b>3,615</b> | 3,680       |

**15. Fair values**

The Fund's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair value. Refer to Note 2(c) for the methods and assumptions adopted in determining fair values for investments.

**16. Contingent liabilities**

No contingent liabilities existed at, or have arisen since, balance date.

**17. Events after the balance sheet date**

Since 30 June 2011 there has not been any matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

**Responsible Entity's declaration to the Unitholders of the  
Sandhurst IML Industrial Share Fund**

The Directors of the Responsible Entity declare that:

- (a) the financial statements and notes of the Fund are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2011 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Fund will be able to pay their debts as and when they become due and payable;
- (c) the financial statements are in accordance with the provisions of the Fund's Constitution; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.



Jennifer L. Dawson  
Director  
25 August 2011



## Independent auditors' report to the unitholders of Sandhurst IML Industrial Share Fund

We have audited the accompanying financial report of Sandhurst IML Industrial Share Fund ("the Fund"), which comprises the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Net Assets attributable to Unitholders and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of Sandhurst Trustees Limited, as Responsible Entity of the Fund are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and the provisions of the Fund's Constitution. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors of the Responsible Entity also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditors' Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## **Auditors' Opinion**

In our opinion:

1. the financial report of Sandhurst IML Industrial Share Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Sandhurst IML Industrial Share Fund at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young



T M Dring  
Partner  
Melbourne  
25 August 2011



Richmond Sinnott & Delahunty



Warren Sinnott  
Partner  
Bendigo  
25 August 2011



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