

Sandhurst Trustees Limited

ABN 16 004 030 737

AFSL 237906

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 2018**

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SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

The directors present the financial report of Sandhurst Trustees Limited (the Company) and its controlled entities for the year ended 30 June 2018.

Directors

The names of directors of the Company in office during the financial year and until the date of this report are:

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge (Resigned 23 July 2018)	Non-executive director
Antony Robinson	Non-executive director
Bruce Speirs (Resigned 27 September 2018)	Executive director
Richard Baker	Non-executive director
Paul Rohan (Appointed 2 October 2018)	Executive director

Company secretary

The names of the joint company secretaries at the end of the financial year are:

David Oataway
Rochelle Parker

Corporate structure

Sandhurst Trustees Limited is a public company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Bendigo and Adelaide Bank Limited.

Principal activities

The principal activities of the economic entity during the year were:

- Responsible entity for managed investment schemes;
- Corporate trustee and custodial services provider;
- Registrable superannuation entity licensee of superannuation funds.

At 30 June 2018, there were 71 (2017: 68) full time equivalent employees employed by Bendigo and Adelaide Bank Limited to undertake the above activities.

Operating Results

Economic entity results in brief:

	2018	2017
	\$	\$
Profit before income tax	5,311,578	19,483,806
Profit after income tax	3,723,405	13,737,224

Dividends

There were no further dividends proposed or declared (2017: nil) before the financial statements were authorised for issue.

Share options

No options for shares in the company have been granted during the year and there were no options outstanding at the end of the financial year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year.

Review of operations

The economic entity achieved a profit after income tax expense of \$3,723,405. This represents a decrease from the \$13,737,224 profit from ordinary activities after income tax expense for 2017, this is due to an increase in litigation costs for the financial year. Profit before income tax expense was \$5,311,578 compared to \$19,483,806 for 2017.

The Company continued to grow its managed funds and superannuation businesses. During the financial year ended 30 June 2018 and subsequent to balance date the Company agreed on settlements for claims made in relation to its role as Trustee for debenture issuances. The Company agreed to settle these claims for commercial reasons. The impact of the settlements decreased profit before income tax for the financial year ended 30 June 2018 by \$16,946,469.

Funds management and superannuation

Total funds under management for our funds management and superannuation business increased for the year to \$5.81 billion at 30 June 2018 (\$5.29 billion - 2017).

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Funds management and superannuation (cont'd.)

Funds under management summary:

	2018	2017
	\$m	\$m
Income and Mortgage Funds (formerly Common Funds)	2,011	1,822
Diversified Funds	1,777	1,505
Bendigo SmartStart Super	1,187	977
Adelaide CMT	187	325
Sandhurst Industrial Share Fund	271	292
Bendigo SmartOptions Super	149	152
Bendigo Diversified Fixed Interest Fund	103	113
Sandhurst Strategic Income Fund	94	80
Sandhurst Future Leaders Fund	18	18
Bendigo Global Share Fund	5	5
Bendigo Socially Responsible Growth Fund	11	6

Overall, Funds management activities have grown by approximately 10% over the course of the financial year

Corporate trustee and custodial services

Revenue from corporate trustee and custodial services decreased by approximately 25% during the financial year.

Significant events after the balance date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years.

Likely developments and expected results

In the opinion of the directors, disclosure of information on the likely developments in the operations of the economic entity in future years and the expected results of those operations, is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Indemnification and insurance of officers and auditors

The constitution provides that the Company is to indemnify each officer or employee of the Company against liabilities incurred by an officer or employee in or arising out of the conduct of the business of the Company or arising out of the discharge of the officer's or employee's duties.

To the extent permitted by law, the Company must indemnify each officer or employee for liabilities including costs and expenses incurred in defending any proceedings or appearing before any court, tribunal, government authority or other body, except where the liability arises from conduct involving lack of good faith.

During or since financial year end, each director and officer of the Company and related bodies corporate was insured against liabilities for costs and expenses incurred by them in defending any legal action arising out of their conduct while acting in their various capacities.

This insures against certain liability (subject to specified exclusions) for persons who are or have been directors or executive officers of the Company.

The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Statutory trustee

The Company is an authorised trustee corporation. Assets and liabilities of trusts, funds, estates and agencies for which the Company acts as trustee, responsible entity, custodian, executor or agent, are not included in the Company's financial statements.

Environmental regulation and performance

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
AUDITOR INDEPENDENCE DECLARATION

The directors received an Independence Declaration from the Auditors of Sandhurst Trustees Limited, a copy of which is attached to the Directors' Report.

Signed in accordance with a resolution of the board of directors.

Director



Jennifer Dawson

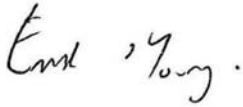
Date: 12 October 2018

Auditor's Independence Declaration to the Directors of Sandhurst Trustees Limited

As lead auditor for the audit of Sandhurst Trustees Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sandhurst Trustee Limited and the entities it controlled during the financial year.



Ernst & Young



Graeme McKenzie
Partner
12 October 2018

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
Revenue			
Revenues	4	41,131,768	40,058,098
Other income	4	57,687	4,619,323
Total revenue		41,189,455	44,677,421
Expenses			
Fees and commissions	5	9,036,223	9,366,538
Staff and related costs	5	7,389,712	7,788,402
Other operating expense	5	19,451,942	8,038,675
Total expenses		35,877,877	25,193,615
Profit before income tax		5,311,578	19,483,806
Income tax expense	6	1,588,173	5,746,582
Profit after income tax		3,723,405	13,737,224
Other comprehensive income			
Available-for-sale financial assets			
Net fair value gains/(loss) on available-for-sale financial assets		150,526	360,947
Tax effect on items taken directly to or transferred from equity		(45,158)	(108,285)
Net gain/(loss) recognised directly in equity		105,368	252,662
Total comprehensive income for the year		3,828,773	13,989,886

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

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	NOTE	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	8	17,055,930	18,067,227
Trade and other receivables	9	29,159,981	3,176,941
Total current assets		46,215,911	21,244,168
Non current assets			
Available-for-sale financial assets	10	8,948,680	8,798,155
Trade and other receivables	9	34,357,825	17,958,850
Property, plant and equipment	11	2,427,530	2,445,423
Deferred tax assets	6	3,367,463	4,497
Total non current assets		49,101,498	29,206,925
Total assets		95,317,409	50,451,093
Current liabilities			
Trade and other payables	12	42,903,354	1,882,026
Total current liabilities		42,903,354	1,882,026
Non current liabilities			
Deferred tax liability	6	630,416	590,510
Total non current liabilities		630,416	590,510
Total liabilities		43,533,770	2,472,536
Net assets		51,783,639	47,978,557
Equity			
Contributed equity	14	5,000,000	5,000,000
Retained earnings	15	41,779,962	39,516,507
Reserves	16	5,003,677	3,462,050
Total Equity		51,783,639	47,978,557

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

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital \$	Asset Revaluation Reserve - Property \$	Asset Revaluation Reserve - Units \$	Operational Risk Reserve \$	Retained Earnings \$	Total \$
At 1 July 2017	5,000,000	1,265,396	383,708	1,812,946	39,516,507	47,978,557
Other Comprehensive Income	-	-	105,368	-	-	105,368
Profit/(loss) for the period	-	-	-	-	3,723,405	3,723,405
Total Comprehensive income for the period	-	-	105,368	-	3,723,405	3,828,773
Increase Operational Risk Reserve	-	-	-	1,436,259	(1,459,950)	(23,691)
Dividends paid	-	-	-	-	-	-
At 30 June 2018	5,000,000	1,265,396	489,076	3,249,205	41,779,962	51,783,639
At 1 July 2016	5,000,000	1,107,781	288,661	1,812,946	25,779,283	33,988,671
Other Comprehensive Income	-	157,615	95,047	-	-	252,662
Profit/(loss) for the period	-	-	-	-	13,737,224	13,737,224
Total Comprehensive income for the period	-	157,615	95,047	-	13,737,224	13,989,886
Increase Operational Risk Reserve	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
At 30 June 2017	5,000,000	1,265,396	383,708	1,812,946	39,516,507	47,978,557

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
Cash flows from operating activities			
Fees and Commissions received		40,473,532	39,783,610
Payments to suppliers and employees		(19,883,503)	(25,374,214)
Income tax paid		(5,710,318)	(5,674,932)
Dividends received		327,528	252,624
Interest received		233,878	247,007
Proceeds from sale of estates business		-	5,000,000
Net cash flows from operating activities	17 (b)	15,441,117	14,234,095
Cash flows from investing activities			
Proceeds from/(Payments for) property, plant and equipment		(29,748)	(40,226)
Proceeds from/(Payments for) sale of Available-for-sale financial assets		-	(2,000,000)
Net cashflow from/ (used in) investing activities		(29,748)	(2,040,226)
Cash flows from financing activities			
Receipt/(Repayment) of funding from parent entity		(16,398,975)	(8,239,070)
Transfers from operational risk reserve for loss event		(23,691)	-
Net cashflow from/(used in) financing activities		(16,422,666)	(8,239,070)
Net increase in cash and cash equivalents		(1,011,297)	3,954,799
Cash and cash equivalents at the beginning of the year		18,067,227	14,112,428
Cash and cash equivalents at the end of the year	17 (a)	17,055,930	18,067,227

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

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 1 - Corporate Information

The financial report of Sandhurst Trustees Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 8 October 2018.

The financial report covers Sandhurst Trustees Limited and controlled entities as a group (the Group). Sandhurst Trustees Limited is a public company limited by shares, incorporated and domiciled in Australia.

The nature of the operations and principal activities of Sandhurst Trustees Limited are described in the Directors' Report.

Note 2 - Summary of significant accounting policies

(a) Basis of accounting

This financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, including the application of ASIC Class Order 10/654.

ASIC Class Order 10/654 allows entities to include the parent entity financial statements as part of the consolidated financial statements if they wish to do so. Accordingly, the financial statements illustrated in this financial report do not include the separate financial statements of the parent and only include the limited disclosures required by Reg. 2M.3.01 of the Corporations Regulations 2001. Refer to Note 24 for parent entity financial information.

The financial report is presented in Australian dollars.

The financial report is prepared on a historical cost basis except for land and buildings and available-for-sale assets which have been measured at their fair value.

(b) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year.

(c) Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2018.

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue and is effective for annual reporting periods beginning on or after 1 January 2018. The core principle of AASB 15 is that revenue is recognised in line with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt the standard on its mandatory effective date, being 1 July 2018. The impacts of AASB 15 have been assessed and it is not expected that the standard will have a significant impact.

AASB 9 (December 2014) is a new standard which replaces AASB 139 and is effective for annual periods beginning on or after 1 January 2018. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. As a result of the application of the classification and measurement requirements of AASB 9, we expect that equity securities in the current Available-for-sale portfolio will be reclassified to be recorded at fair value through other comprehensive income.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 2 - Summary of significant accounting policies (cont.'d)

(d) Principles of consolidation

The consolidated financial statements are the financial statements of Sandhurst Trustees Limited and all of its controlled entities. A list of controlled entities is contained in Note 21 of the financial statements.

Controlled entities prepare financial reports for consolidation in conformity with the Group accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances and transactions between entities in the Group have been eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(e) Significant accounting judgements, estimates & assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets

The Group has to make a judgement as to whether an impairment trigger is evident at each reporting date. If a trigger is evident the asset must be tested for impairment, which requires the estimation of future cash flows and the use of an appropriate discount rate.

Managed investment funds

The Group acts as a responsible entity for certain managed investment funds. The decision-making rights of the fund are restricted to the Product Disclosure Statements. The fees received by STL are not variable, are commensurate with the services provided and are consistent with similar funds in the market. Where STL holds investments in the funds, the Group assessed the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns to determine whether the Managed Investment Fund should be consolidated.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash on hand and at bank and short-term investments are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, short-term money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for any uncollectible amounts. The effective interest rate calculation includes the contractual terms of the loan together with all fees, transaction costs and other premiums or discounts.

Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(h) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. All assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 2 - Summary of significant accounting policies (cont.'d)

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted bid prices at the close of business on the reporting date.

Derecognition of financial assets

The derecognition of a financial asset takes place when the entity no longer controls the contractual rights that comprise the financial asset. This is normally the case when the asset is sold, or all the cash flows attributable to the instrument are passed through to the instrument are passed through an independent third party.

(i) Property, plant and equipment

Plant and equipment are carried at historical cost less accumulated depreciation, and any impairment losses.

Land and buildings are independently valued at least every three to five years and are measured at fair value, less accumulated depreciation on buildings and any impairment losses recognised after the date of revaluation.

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position unless it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income.

Any revaluation deficit is recognised in the statement of comprehensive income unless it directly offsets a previous surplus of the same asset recognised in the asset revaluation reserve.

In addition, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

Depreciation/Amortisation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

<i>Asset category</i>	2018	2017
Freehold buildings	40	40
Office furniture & equipment	5	5
Computer hardware	3	3
Motor vehicles	5	5

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the item) is included in the statement of comprehensive income in the period the item is derecognised.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 2 - Summary of significant accounting policies (cont.'d)

(j) Trustee and funds management activities

The Group acts as trustee and/or responsible entity for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. An assessment of each fund has occurred as per AASB 10 Consolidated Financial Statements. Note 23 provides the relevant information regarding the unstructured entities. Commissions and fees generated by the fund management activities are brought to account on an accruals basis when earned.

(k) Accrued Expenses

Expenses are accrued for, once realised, and are classified as accrued expenses if the following criteria are met;

- The amount can be accurately calculated,
- The period they belong to can be determined,
- The period they will be paid is known.

(l) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest, fees and commissions

Revenue is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Interest, fee and commission revenue is brought to account on an accruals basis. Interest is accrued using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the right to receive consideration for the investment in assets is attained, evidenced by the declaration of dividends by the investee.

Property revenue

Property revenue is recognised as income on an accruals basis.

Corpus commission

Corpus commission from estates is recognised as part of commission and management fees according to the estimated proportion of administration work completed at reporting date.

(m) Income tax

The income tax for the period is the tax payable on the current period's taxable income based on the notional income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

The Company has adopted the statement of financial position liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based statement of financial position.

Deferred tax assets and liabilities are recognised for temporary differences, except where the deferred tax asset/liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 2 - Summary of significant accounting policies (cont.'d)

Income taxes relating to items recognised directly in equity are recognised in the comprehensive income statement.

Sandhurst Trustees Limited and the controlled entities are part of the Bendigo and Adelaide Bank Limited tax consolidated group. The tax consolidated group continue to account for their own current and deferred tax amounts. The Bendigo and Adelaide Bank Limited group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and paid within 30 days of recognition.

Liabilities for trade creditors and other amounts are carried at amortised 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 Group. Payables to related parties are carried at the principal amount.

(p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

(q) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Note 3 - Financial risk management objectives and policies

The management of risk is an essential element of Sandhurst Trustees Limited's strategy and profitability and the way it operates as a wholly owned subsidiary of Bendigo and Adelaide Bank Limited.

The Bendigo and Adelaide Bank Board (the "Bank's Board"), being ultimately responsible for risk management associated with the Bendigo and Adelaide Bank Limited group's activities, has established an integrated governance and accountability framework, policies and controls to identify, assess, monitor and manage risk. As a member of the Bendigo and Adelaide Bank Limited group, Sandhurst Trustees Limited adheres to this risk management framework.

The risk management strategy is based upon risk principles approved by the Bank's Board and is underpinned by a system of delegations, passing from the Bank's Board through Board committees, management committees to the various risk, support and business units of the Bendigo and Adelaide Bank Limited group.

Further, the Board of Sandhurst Trustees Limited has established additional governance and compliance frameworks to satisfy its specific obligations as, a registrable superannuation entity licensee, a responsible entity and a holder of an Australian Financial Services Licence.

A structured framework has been established to ensure that risk management is linked to the Company's operations. The risk management framework is also underpinned by an integrated framework of responsibilities and functions driven from the Board level down to operational levels, covering all aspects of risk.

The Company's principal financial instruments comprise of cash, short term deposits, managed funds and share investments.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 3 - Financial risk management objectives and policies (cont.'d)

The main purpose of these financial instruments is to underpin the financial stability of the Company's operations and to meet the minimum net tangible asset position as required by regulatory requirements. The Company has other various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and liability are disclosed in Note 2(e) and 2(l) to the financial statements.

The main risks arising from the Company's financial instruments are interest rate risk, market risk, liquidity risk and credit counterparty risk

Interest rate risk

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, will affect the Company's income and the value of its financial instruments. The Company regularly monitors the impact of its exposures and together with the Bank's Board, considers the holding of equity investments in terms of its value, potential future value and the strategy of the Bendigo and Adelaide Bank Limited group.

The Company also holds investments in various unlisted investments. The value of these investments will fluctuate over time consistent with the financial performance of the underlying investment.

Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Company being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.

Credit counterparty risk

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

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments 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 Company 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 except for the terms having been renegotiated.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position.

	2018	2017
	\$	\$
Cash and cash equivalents	17,055,930	18,067,227
Trade and other receivables	63,517,806	21,135,791
Available-for-sale financial assets	8,948,680	8,798,155
	<u>89,522,416</u>	<u>48,001,173</u>

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 4 - Revenue

	2018	2017
	\$	\$
Revenue:		
Commission and management fees received	40,563,106	39,554,920
Interest	241,134	250,554
Managed investment schemes distributions	327,528	252,624
	<u>41,131,768</u>	<u>40,058,098</u>

Other income:

Net gain on sale of Estates business*	-	3,881,437
Other income	57,687	737,886
	<u>57,687</u>	<u>4,619,323</u>

* On 31 March 2017 Sandhurst Trustees Limited sold its estates business to Equity Trustees Wealth Services Limited, a subsidiary of Equity Trustees for a total consideration of \$5 million. Various costs totalling \$1.18 million, including legal and internal staff costs have been offset against the proceeds of the sale.

The estates business which has been sold provided services in:

- estate planning;
- administration of deceased estates, ongoing trusts and perpetual trusts; and
- acting as attorney, administrator or agent to administer or manage the financial affairs of living persons.

Note 5 - Expenses

	2018	2017
	\$	\$
Fees and commissions:		
Adviser and agency commissions	6,786,581	7,581,243
Community Bank commissions	2,249,642	1,785,295
	<u>9,036,223</u>	<u>9,366,538</u>

Staff and related costs:*

Salaries and wages recharge	6,355,889	6,637,991
Superannuation contributions recharge	609,413	629,931
Payroll costs recharge	406,248	408,261
Other recharge	18,162	112,219
	<u>7,389,712</u>	<u>7,788,402</u>

Other operating expenses:

Communications, postage and stationery expense	104,820	175,431
Marketing and sponsorship	248,594	241,072
Legal expense	17,054,555	6,472,218
Occupancy expense	228,611	144,981
Depreciation expense	47,034	46,658
Computer systems and software costs	363,727	297,337
Accounting expenses	223,515	107,015
Travel expenses	135,074	108,957
Directors fees	219,354	217,765
Other	826,658	227,241
	<u>19,451,942</u>	<u>8,038,675</u>

*Employees are employed by Bendigo and Adelaide Bank Limited to undertake activities on behalf of Sandhurst Trustees Limited. The employment costs are passed on to Sandhurst Trustees Limited.

Note 6 - Income tax expense

	2018	2017
	\$	\$
Major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax:		
Current income tax charge	4,924,830	5,550,249
Adjustments in respect of current income tax of previous years	31,761	171,275
Deferred income tax:		
Relating to origination and reversal of temporary differences	(3,326,757)	8,603
Adjustments in respect of current income tax of previous years	(41,661)	16,455
Income tax expense reported in the Statement of Comprehensive Income	<u>1,588,173</u>	<u>5,746,582</u>

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 6 - Income tax expense (cont'd.)

Statement of Changes in Equity

Deferred income tax related to items charged or credited directly in equity

Land and buildings	-	67,549
Unrealised gain of available-for-sale financial assets	45,158	40,736
Income tax expense / (benefit) reported in equity	45,158	108,285

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:

	2018	2017
Income tax attributable to:	\$	\$
Accounting profit before income tax	5,311,578	19,483,806

The income tax expense comprises amounts set aside as:

Provision attributable to current year at statutory rate, being		
Prima facie tax on accounting profit before tax	1,593,473	5,845,141
Under/(over) provision in prior years	(9,900)	187,730
Expenditure not allowable for income tax purposes	4,600	367
Other non assessable income	-	(286,656)
Income tax expense reported in the Statement of Comprehensive Income	1,588,173	5,746,582

Statement of Financial Position

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities

Available-for-sale financial assets	(209,604)	(164,447)
Revaluations of land & buildings to fair value	(446,682)	(455,120)
Plant, furniture, fittings, office equipment & vehicles	9,347	8,551
Other	16,523	20,506
	(630,416)	(590,510)

Deferred tax assets

Plant & equipment	37,463	2,451
Accrued Expenses	3,330,000	-
Other	-	2,046
	3,367,463	4,497

At 30 June 2018, there is no unrecognised deferred income tax liability (2017: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2002, for the purposes of income tax, the parent of the Company, Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate income tax to the wholly-owned subsidiaries in the event the head entity defaults on its tax payment obligations. At the reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited has formally notified the Australian Tax Office of its adoption of the tax consolidation regime upon the lodgement of its 2003 income tax return.

Nature of tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group on a group allocation method based on a notional standalone calculation, while deferred taxes are calculated by members of the tax consolidated group in accordance with the principles of Accounting Standard AASB 112 "Income Taxes".

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries inter-company accounts with the tax consolidated group head company, Bendigo and Adelaide Bank Limited. The tax funding agreement is in accordance with AASB Interpretation 1052 Tax Consolidation Accounting (UIG 1052). Where the tax funding agreement is not in accordance with UIG 1052, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts.

Taxation of Financial Arrangements

The taxing regime for financial instruments Taxation of Financial Arrangements ("TOFA") began to apply to the Bendigo and Adelaide Bank Limited tax consolidated group on 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements.

The Bendigo and Adelaide Bank Limited tax consolidated group 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.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
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Note 7 - Dividends paid and proposed

	2018	2017
	\$	\$
Total interim dividends paid 2018: \$nil per share (2017 \$0.000)	-	-
	-	-

There were no further dividends proposed or declared before the financial statements were authorised for issue.

Note 8 - Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank	11,291,025	12,750,263
Deposits at short call	5,764,905	5,316,964
	17,055,930	18,067,227

Deposits at short call are made for varying periods and earn interest at the respective distribution rate.

Deposits at short call mature on a quarterly basis. The average interest rate for the year ended 30 June 2018 was 1.38% (2017- 1.45%).

Note 9 - Trade and other receivables

	2018	2017
	\$	\$
<i>Current</i>		
Sundry debtors and accrued income	2,903,606	3,176,941
Other assets	26,256,375	-
	29,159,981	3,176,941
<i>Non-current</i>		
Amounts receivable from ultimate parent entity	34,357,825	17,958,850
	34,357,825	17,958,850

All current receivables are non-interest bearing. Sundry debtors and accrued interest generally have payment terms of between 30 and 90 days.

Non-current receivables are non-interest bearing and have an average maturity of 48 months.

Trade and other receivables have increased during the year due to legal costs and current expected litigation settlements.

Note 10 - Available-for-sale financial assets

	2018	2017
	\$	\$
<i>Non-current</i>		
Units - In managed investment schemes at fair value	8,948,680	8,798,155
	8,948,680	8,798,155

Available-for-sale share investments consist of investments in listed securities and units in unit trusts, and therefore have no fixed maturity date or coupon rate.

Units in managed investment schemes are based on fair value which has been determined directly by reference to published price quotations in an active market and published unit prices.

Note 11 - Property, plant and equipment

	2018	2017
	\$	\$
Freehold land	1,250,000	1,250,000
Freehold buildings	1,125,000	1,125,000
Accumulated depreciation	(35,060)	(6,935)
	1,089,940	1,118,065
Plant and equipment at cost	361,541	335,652
Accumulated depreciation	(273,951)	(258,294)
	87,590	77,358
	2,427,530	2,445,423

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 11 - Property, plant and equipment (cont'd.)	2018	2017
Reconciliation	\$	\$
<i>Freehold land</i>		
Carrying amount at beginning	1,250,000	950,000
Revaluation increment	-	300,000
	<u>1,250,000</u>	<u>1,250,000</u>
<i>Freehold buildings</i>		
Carrying amount at beginning	1,118,065	1,224,167
Depreciation expense	(28,125)	(31,265)
Revaluation increment	-	(74,836)
	<u>1,089,940</u>	<u>1,118,065</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	77,358	52,601
Additions	29,749	45,857
Disposals	(608)	(6,380)
Depreciation expense	(18,909)	(14,720)
	<u>87,590</u>	<u>77,358</u>

The fair values of freehold land and buildings have been determined by reference to director valuations, based upon independent valuations obtained on 22 February 2017. The independent valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

Note 12 - Trade and other payables	2018	2017
	\$	\$
Trade creditors and accrued expenses (a)	755,367	186,487
Legal accrued expenses	41,206,375	-
Amounts payable to ultimate parent entity (b)	-	-
Income tax due to parent	941,612	1,695,539
	<u>42,903,354</u>	<u>1,882,026</u>

Terms and conditions:

- (a) Trade creditors and accrued expenses are non-interest bearing and are normally settled on commercial 30 day terms.
- (b) The amounts payable to the ultimate parent entity are non-interest bearing and at call.

Trade and other payables have increased during the year due to legal costs and current expected litigation settlements.

Note 13 - Financial Risk Management

The Group has exposure to credit risk, liquidity risk and market risk (including interest rate and equity price risk) from their use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 13 - Financial Risk Management (cont'd.)

a. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's exposure to credit risk is limited to Australia by geographic area.

The carrying amount of financial assets recorded in the Statement of Financial Position, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

None of the assets of the Group are past due (2017: Nil past due) and based on historic default rates, the Group believes that no impairment allowance is necessary in respect of assets not past due.

b. Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise or forgoing investment opportunities.

Management monitors liquid funds on a monthly basis, and ensures funds are sufficient to meet upcoming commitments. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount \$	1 year or less \$	1 to 5 years \$	more than 5 years \$	Total \$
30 June 2018					
Trade and other payables	42,903,354	42,903,354	-	-	42,903,354
Deferred tax liability	630,416	-	630,416	-	630,416
Total financial liabilities	43,533,770	42,903,354	630,416	-	43,533,770
30 June 2017					
Trade and other payables	1,882,026	1,882,026	-	-	1,882,026
Deferred tax liability	590,510	-	590,510	-	590,510
Total financial liabilities	2,472,536	1,882,026	590,510	-	2,472,536

c. Market Risk

(i) Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Management monitors the exposure to interest rate risk on a monthly basis.

Available-for-Sale financial assets and trade and other receivables are non-interest earning. Trade and other receivables are generally settled within 12 months.

Trade and other payables are non-interest bearing and generally mature within 30 days for current and 1-5 years for non-current.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 13 - Financial Risk Management (cont'd.)

Sensitivity analysis for fixed and variable rate instruments

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of Group's Statement of Comprehensive Income and Statement of Changes In Equity.

	2018	2017
	\$	\$
Post tax profit		
+ 1% (100 Basis points)	112,910	127,503
- 1% (100 Basis points)	(112,910)	(127,503)
Equity		
+ 1% (100 Basis points)	112,910	127,503
- 1% (100 Basis points)	(112,910)	(127,503)

(ii) Equity price risk

Equity price risk is the risk that the fair value of available-for-sale financial assets will fluctuate because of changes in market prices. The Group reviews the exposure to equity price risk on a regular basis.

(iii) Fair value sensitivity analysis for available-for-sale financial assets

The following table demonstrates a reasonably possible change in available-for-sale financial asset prices at the reporting date, with reference to benchmarking to an average of the 5 year standard deviation of the following indices; S&P/ASX 300 TR Index, MSCI World ex Australia NR Index (unhedged), UBS Composite Bond Index, Barclays Global aggregate Bond index (Unhedged). This would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
30 June 2018				
Available-for-sale financial assets	-	-	894,868	(894,868)
30 June 2017				
Available-for-sale financial assets	-	-	879,816	(879,816)

d. Net fair values

All assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value, unless otherwise stated in the applicable notes. There have been no transfers between levels during the financial year.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - The fair value is calculated using quoted prices in active markets.

Level 2 - The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2018				Year ended 30 June 2017			
	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non market observable inputs (level 3)	Total	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non market observable inputs (level 3)	Total
Financial assets								
Available-for-sale investments								
Managed Investments	-	8,948,680	-	8,948,680	-	8,798,155	-	8,798,155
	-	8,948,680	-	8,948,680	-	8,798,155	-	8,798,155
Financial Liabilities	-	-	-	-	-	-	-	-

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
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Note 13 - Financial Risk Management (cont'd.)

The managed investment scheme value is determined by Net Asset Value provided by the fund manager as published through the respective fund manager's website.

e. Capital Management

Sandhurst Trustees Limited is a wholly owned subsidiary of the Bendigo and Adelaide Bank Limited. Sandhurst Trustees Limited manages and maintains capital to meet regulatory requirements.

Note 14 - Contributed equity

	2018	2017
	\$	\$
Issued capital: 10,000,000 ordinary shares fully paid	5,000,000	5,000,000
	5,000,000	5,000,000

All shares are fully owned by Bendigo and Adelaide Bank Limited.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Note 15 - Retained earnings

Movements in retained earnings were as follows:

	2018	2017
	\$	\$
Retained profits at the beginning of the financial year	39,516,507	25,779,283
Net profit attributable to members of the Company	3,723,405	13,737,224
Transfer to Operational Risk reserve	(1,459,950)	-
	41,779,962	39,516,507

Note 16 – Reserves

	2018	2017
	\$	\$
Asset Revaluation Reserves	1,754,472	1,649,104
Operational Risk Reserve	3,249,205	1,812,946
	5,003,677	3,462,050

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 17 - Cash flow information

(a) Reconciliation of cash

Cash at end of the financial year as shown in the Statement of Cashflow is reconciled to the related items in the Statement of Financial Position as follows:

	2018	2017
	\$	\$
Cash at bank	11,291,025	12,750,263
Deposits at short call	5,764,905	5,316,964
	17,055,930	18,067,227

(b) Reconciliation of net profit after tax to net cash flows from operations

Net profit after income tax	3,723,405	13,737,224
<i>Adjustments:</i>		
Depreciation	47,034	45,985
Property, plant and equipment (profit)/loss	608	751
Tax effect on revaluations	(45,158)	(108,285)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(25,983,040)	236,937
(Increase)/decrease in deferred tax assets	(3,362,966)	6,901
(Decrease)/increase in deferred tax liability	39,906	126,439
(Decrease)/increase in accounts payable	41,775,255	141,547
(Decrease)/increase in tax payable	(753,927)	46,595
	15,441,117	14,234,095

(c) Non-cash financing and investing activities

During the financial year no non-cash financing and investing activities occurred.

Note 18 - Related party disclosures

The Directors of Sandhurst Trustees Limited during the financial year are disclosed in the Directors' report.

- (a) The ultimate parent entity of Sandhurst Trustees Limited is Bendigo and Adelaide Bank Limited.
 (b) The ultimate parent entity has provided to Sandhurst Trustees Limited an interest free loan in connection with the payment of administration costs on behalf of the Group. The loan has no fixed repayment date, and may be recalled at any time.

	Receipts and fees received from Bendigo and Adelaide Bank Ltd	Supplies, Fixed Assets and service fees charged by Bendigo and Adelaide Bank Ltd	Net Amount due from /(owing to) Bendigo and Adelaide Bank Ltd
	\$	\$	\$
2018	51,821,452	37,037,591	45,681,324
2017	44,177,325	30,494,959	30,897,464

- (c) Sandhurst Trustees Limited holds investments in the Sandhurst Select Mortgage Fund, valued at \$5,764,905 at 30 June 2018 (\$5,316,964 - 2017).
 (d) Sandhurst Trustees Limited holds other managed fund investments in funds issued by Sandhurst Trustees Limited valued at \$8,948,680 at 30 June 2018 (\$8,798,155 - 2017).
 (e) Sandhurst Trustees Limited has received \$327,528 (\$252,624 - 2017) in distributions from the managed fund investments it holds in funds issued by Sandhurst Trustees Limited.
 (f) The parent entity provides a Guarantee of \$500,000 (\$500,000 - 2017) under normal commercial terms and conditions.
 (g) The directors of Sandhurst Trustees Limited may invest in funds managed by Sandhurst Trustees from time to time. All investments are held on commercial terms and are at an arm's length basis.
 (h) The directors of Sandhurst Trustees Limited may have a loan with a mortgage fund issued by Sandhurst Trustees from time to time. All loans held are on commercial terms and are at an arm's length basis.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
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Note 19 - Director and executive disclosures

(a) Details of key management personnel

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge (Resigned 23 July 2018)	Non-executive director
Antony Robinson	Non-executive director
Bruce Speirs (Resigned 27 September 2018)	Executive director
Richard Baker	Non-executive director
Paul Rohan (Appointed 2 October 2018)	Executive director

(b) The compensation of key management personnel

Key management personnel are employed and paid by Bendigo and Adelaide Bank Limited.

Remuneration of directors is paid directly by Bendigo and Adelaide Bank Limited, the ultimate parent entity of Sandhurst Trustees Limited. The directors do not receive any remuneration directly from Sandhurst Trustees. In relation to non-executive director fees, Ms Dawson received an annual fee of \$85,000 plus superannuation of \$8,075 (FY2017: \$85,000 plus superannuation of \$8,075). Mr Mansbridge received an annual fee of \$82,000 plus superannuation of \$7,790 (FY2017: \$82,000 plus superannuation of \$7,790) and Mr Robinson received an annual fee of \$54,795 plus superannuation of \$5,205 (FY2017: \$54,795 plus superannuation of \$5,205).

Note 20 - Economic dependence

Sandhurst Trustees Limited is a controlled entity of Bendigo and Adelaide Bank Limited. Sandhurst Trustees Limited has entered into a service arrangement with its parent entity and is dependent upon the parent entity for provision of administration and support.

Note 21 - Controlled entities

Sandhurst Trustees Limited is the parent entity of Sandhurst Nominees (Victoria) Limited which is a wholly-owned subsidiary incorporated in Australia.

Note 22 - Contingent liabilities and assets

From time to time, Sandhurst Trustees Limited may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the financial position or the performance of the Company. For litigation exposures where loss is probable and can be reliably estimated an appropriate provision is made.

Note 23 – Involvement in unconsolidated entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements. Involvement with structured entities varies and includes debt financing of these entities as well as other relationships. In accordance with Note 2, it is established whether the involvement with these entities results in significant influence, joint control or control over the structured entity. There are no structured entities over which control can be exercised and therefore are not consolidated. The Group has no contractual arrangements that would require it to provide financial or other support to an unconsolidated structured entity. The Group has not previously provided financial support to an unconsolidated structured entity, and has no current intentions to provide such support.

Interests in unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Managed investment funds	To generate: > a range of investment opportunities for external investors; and > fees from managing assets on behalf of third party investors for the Group	Investment in units issued by the funds Management fees

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
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Note 23 – Involvement in unconsolidated entities (cont'd.)

Risks associated with unconsolidated structured entities

The following table summarises the carrying values recognised in the balance sheet in relation to unconsolidated structured entities as of 30 June 2018:

Available-for-sale financial assets	14,713,585
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Maximum exposure to loss

The maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date. The following table summarises the Group's maximum exposure to loss from its involvement at 30 June 2018 and 30 June 2017 with structured entities.

	Carrying amount		Maximum loss exposure	
	2018	2017	2018	2017
	\$	\$	\$	\$
Available-for-sale financial assets	14,713,585	14,115,119	14,713,585	14,115,119

Significant restrictions

There are no significant restrictions imposed by any unconsolidated structured entity on the Group's ability to access or use its assets or settle its liabilities.

Note 24 - Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2018	2017
	\$	\$
Financial position		
Assets		
Current assets	46,215,911	21,244,168
Non-current assets	49,101,503	29,206,925
Total assets	95,317,414	50,451,093
Liabilities		
Current liabilities	42,903,354	1,882,026
Non-current liabilities	630,421	590,510
Total liabilities	43,533,775	2,472,536
Equity		
Contributed equity	5,000,000	5,000,000
Retained earnings	41,779,962	39,516,507
Reserves	5,003,677	3,462,050
Total equity	51,783,639	47,978,557

	2018	2017
	\$	\$
Financial performance		
Revenue	41,189,455	44,677,421
Expenses	35,877,877	25,499,134
Profit for the year after tax	3,723,405	13,431,705
Other comprehensive income	105,368	252,662
Total comprehensive income	3,828,773	13,684,367

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 25 - Subsequent events

Since 30 June 2018 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 Company.

Note 26 - Auditors remuneration

The auditor of Sandhurst Trustees Limited is Ernst & Young.

All audit fees in relation to this Company are borne by the parent company.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2018

In accordance with a resolution of the directors of Sandhurst Trustees Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001 (Cth), including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2018 and of their performance for the year ended on that date; and

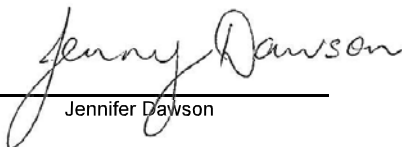
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulation 2001;

(b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director



Jennifer Dawson

Date: 12 October 2018

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
CORPORATE INFORMATION

Directors

Jennifer Dawson
Ian Mansbridge (Resigned 23 July 2018)
Antony Robinson
Bruce Speirs (Resigned 27 September 2018)
Richard Baker
Paul Rohan (Appointed 2 October 2018)

Chairman, Non-executive director
Non-executive director
Non-executive director
Executive director
Non-executive director
Executive director

Joint Company Secretaries

David Oataway
Rochelle Parker

Registered Office

The Bendigo Centre
22-44 Bath Lane
BENDIGO Victoria 3550

Principal Business Address

The Bendigo Centre
22-44 Bath Lane
BENDIGO Victoria 3550

Other Locations

Level 5, 120 Harbour Esplanade
DOCKLANDS Victoria 3008
Level 3, 169 Pirie Street
ADELAIDE South Australia 5000

Internet Address

www.sandhursttrustees.com.au

Auditors

Ernst & Young



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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Sandhurst Trustees Limited

Opinion

We have audited the financial report of Sandhurst Trustees Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information is the Directors' 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.



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Responsibilities of the Directors for the Financial Report

The Directors of the Company 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 Group'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 Group 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 Group'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 Group'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 Group 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young

Graeme McKenzie
Partner
Melbourne
12 October 2018