

Sandhurst Trustees Limited

ABN 16 004 030 737

AFSL 237906

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 2020**

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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 2020.

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
Richard Baker	Non-executive Director
Deborah Radford (Appointed 23 July 2019)	Non-executive Director
Antony Robinson (Resigned 23 July 2019)	Non-executive Director
Paul Rohan	Executive Director

The name of the Company Secretary at the end of the financial year is:
Rochelle Parker

Corporate structure

Sandhurst Trustees Limited (STL) 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 and;
- Registrable superannuation entity licensee of superannuation funds.

At 30 June 2020, there were 61 (2019: 70) full time equivalent employees employed by Bendigo and Adelaide Bank Limited to undertake the above activities.

Operating Results

Economic entity results in brief:

	2020	2019
	\$	\$
Profit before income tax	23,701,300	25,134,626
Profit after income tax	16,509,276	17,609,751

Dividends

There were no dividends proposed or declared (2019: 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.

COVID-19

Since March 2020, when the World Health Organisation (WHO) declared COVID-19 a global pandemic, the impact of this has resulted in unprecedented circumstances that have affected the financial markets and economy more widely. Our operating results were impacted by COVID-19 as a result of reduced market value of managed investment scheme and superannuation fund assets.

Review of operations

The economic entity achieved a profit after income tax expense of \$16,509,276. This represents a decrease from the \$17,609,751 profit from ordinary activities after income tax expense for 2019. Profit before income tax expense was \$23,701,300 compared to \$25,134,626 for 2019.

During the year the company has been investigating and reviewing options to be in a position to comply with proposed legislative requirements to provide a clear separation between our RE and RSE obligations. This work remains ongoing and is a priority for the company this year.

Funds management and superannuation

Total funds under management for our funds management and superannuation business decreased for the year to \$6.20 billion at 30 June 2020 (2019: \$6.57 billion).

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Funds management and superannuation (cont.)

Funds under management and superannuation summary:

	2020	2019
	\$m	\$m
Income and Mortgage Funds (formerly Common Funds)	2,288	2,339
Diversified Funds	1,882	2,030
Bendigo SmartStart Super	1,334	1,389
Adelaide CMT	184	197
Sandhurst Industrial Share Fund	178	259
Bendigo SmartOptions Super	116	136
Sandhurst Strategic Income Fund	95	104
Bendigo Income Generation Fund	50	-
Bendigo Diversified Fixed Interest Fund	40	87
Bendigo Socially Responsible Growth Fund	23	16
Sandhurst Future Leaders Fund	12	17
Bendigo Global Share Fund	4	5

Overall, funds management activities have decreased by approximately 6% over the course of the financial year.

Corporate trustee and custodial services

Revenue from corporate trustee and custodial services increased by approximately 7% 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 and funds for which the Company acts as trustee, responsible entity or custodian 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

A handwritten signature in dark ink, appearing to read 'Jennifer Dawson', is written over a horizontal line.

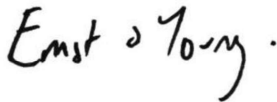
Jennifer Dawson

Date: 5 October 2020

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

As lead auditor for the audit of the financial report of Sandhurst Trustees Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Graeme McKenzie
Partner
5 October 2020

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 \$	2019 \$
Revenue			
Revenues	4	40,437,656	42,733,701
Other income	4	77,111	65,116
Total revenue		40,514,767	42,798,817
Expenses			
Fees and commissions	5	7,254,080	8,464,653
Staff and related costs	5	7,518,332	7,504,372
Other operating expense	5	2,041,055	1,695,166
Total expenses		16,813,467	17,664,191
Profit before income tax		23,701,300	25,134,626
Income tax expense	6	7,192,024	7,524,875
Profit after income tax		16,509,276	17,609,751
Other comprehensive income			
Revaluation gain/(loss) on debt instruments at fair value through other comprehensive income		(388,487)	113,311
Revaluation loss on property		(633,901)	-
Tax effect on items taken directly to or transferred from equity		306,716	(33,994)
Net gain/(loss) recognised directly in equity		(715,672)	79,317
Total comprehensive income for the year		15,793,604	17,689,068

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 2020

	NOTE	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	7	9,764,740	9,192,123
Trade and other receivables	8	63,805,552	44,220,038
Total current assets		73,570,292	53,412,161
Non current assets			
Financial assets - amortised cost	9	6,664,099	6,215,223
Financial assets fair value through other comprehensive income (FVOCI)	10	8,673,505	9,061,992
Property, plant and equipment	11	8,594	2,380,722
Intangible assets	12	100,976	-
Deferred tax assets	6	77,880	37,442
Total non current assets		15,525,054	17,695,379
Total assets		89,095,346	71,107,540
Current liabilities			
Trade and other payables	13	3,728,249	980,565
Total current liabilities		3,728,249	980,565
Non current liabilities			
Deferred tax liability	6	101,641	655,123
Total non current liabilities		101,641	655,123
Total liabilities		3,829,890	1,635,688
Net assets		85,265,456	69,471,852
Equity			
Contributed equity	15	5,000,000	5,000,000
Retained earnings	16	75,734,204	58,757,680
Reserves	17	4,531,252	5,714,172
Total Equity		85,265,456	69,471,852

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 2020

	Issued Capital \$	Asset Revaluation Reserve - Property \$	Asset Revaluation Reserve - Units \$	Operational Risk Reserve \$	Retained Earnings \$	Total \$
At 1 July 2019	5,000,000	1,265,396	568,393	3,880,383	58,757,680	69,471,852
Other Comprehensive Income	-	(443,731)	(271,941)	-	-	(715,672)
Profit/(loss) for the period	-	-	-	-	16,509,276	16,509,276
Total Comprehensive income for the period	-	(443,731)	(271,941)	-	16,509,276	15,793,604
Increase Operational Risk Reserve	-	-	-	354,417	(354,417)	-
Transfer from Property Revaluation Reserve	-	(821,665)	-	-	821,665	-
Dividends paid	-	-	-	-	-	-
At 30 June 2020	5,000,000	-	296,452	4,234,800	75,734,204	85,265,456
At 1 July 2018	5,000,000	1,265,396	489,076	3,249,205	41,779,962	51,783,639
Other Comprehensive Income	-	-	79,317	-	-	79,317
Profit/(loss) for the period	-	-	-	-	17,609,751	17,609,751
Total Comprehensive income for the period	-	-	79,317	-	17,609,751	17,689,068
Increase Operational Risk Reserve	-	-	-	631,178	(632,033)	(855)
At 30 June 2019	5,000,000	1,265,396	568,393	3,880,383	58,757,680	69,471,852

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 2020

	NOTE	2020 \$	2019 \$
Cash flows from operating activities			
Management fees and commissions received		50,687,105	30,468,977
Payments to suppliers and employees		(16,962,287)	(31,968,924)
Income tax paid		(3,380,710)	(6,242,077)
Distributions received		350,613	313,218
Interest received		149,736	269,571
Net cash flows from/(used in) operating activities	18 (b)	30,844,457	(7,159,235)
Cash flows from investing activities			
Proceeds from property, plant and equipment		16,555	-
Payments for purchase of intangibles		(108,189)	-
Other cashflows from investing activities		1,663,775	-
Sale of financial assets fair value through other comprehensive income (FVOCI)		(448,877)	(6,215,223)
Net cashflow from/(used in) investing activities		1,123,264	(6,215,223)
Cash flows from financing activities			
Receipt/(Provision) of funding from/(to) parent entity		(31,395,104)	5,511,506
Transfers from operational risk reserve for loss event		-	(855)
Net cashflow from/(used in) financing activities		(31,395,104)	5,510,651
Net increase in cash and cash equivalents		572,617	(7,863,807)
Cash and cash equivalents at the beginning of the year		9,192,123	17,055,930
Cash and cash equivalents at the end of the year	18 (a)	9,764,740	9,192,123

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 2020

Note 1 - Corporate Information

The financial report of Sandhurst Trustees Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 5 October 2020.

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 25 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 following accounting standards have come into effect during the year.

>AASB16 Leases

>IFRIC23 Uncertainty over Income Tax Treatments

All have been assessed to have no impact on the Company.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(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 2020.

In June 2019 the AASB issued a revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The revised Conceptual Framework will apply to the Group from 1 July 2020 and is not expected to have a material impact on the Group.

The following amendments to existing standards are not expected to result in significant changes to the Group's accounting policies:

- > 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3];
- > 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AAS 108];
- > 2019-1 Amendments to Australian Accounting Standards – Reference to the Conceptual Framework;
- > AASB 17 Insurance Contracts;
- > Classification of liabilities as current or non-current (Amendments to AASB 101);
- > COVID-19-Related Rent Concessions (Amendments to AASB 16);
- > Onerous Contracts – Cost of Fulfilling a Contract (Amendments to AASB 137);
- > Annual Improvements to IFRS Standards 2018-2020;
- > Property, Plant and Equipment: Proceeds before Intended Use (Amendments to AASB 16); and
- > Reference to the Conceptual Framework (Amendments to AASB 3).

(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 22 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 intercompany 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.

COVID-19

The rapid development of the COVID-19 pandemic during 2020 has had severe consequences for communities worldwide. The global economic disruption and financial market volatility caused by the COVID-19 pandemic has created uncertainty about future economic and market conditions. While measures have been put in place by governments, regulators and the central banks to mitigate the impacts of COVID-19 on the economy, there is still uncertainty as to whether these measures will be sufficient. In preparing the financial statements for the year ended 30 June 2020, the Group has considered the impact of COVID-19 on critical judgements, estimates and assumptions.

(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.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(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 credit losses. 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 expected credit loss is recognised when there is quantitative and qualitative evidence that there is doubt over the Group's ability to recover the debt.

(h) Investments and other financial assets

As of 1st July 2018, the Group classifies its financial assets into the following measurement categories:

- > Fair value through profit or loss;
- > Amortised cost; or
- > Fair value through other comprehensive income.

In order to determine the classification and measurement of a financial asset, with the exception of equity instruments and derivatives, the Group performs an assessment of the business model in which the asset is managed and the cash flow characteristics of the asset.

Business Model Test

The business model reflects how the Group manages the assets in order to generate cashflows.

The Group's objective will be either to:

- > solely collect the contractual cash flows of principal and interest;
- > collect both the contractual cash flows of principal and interest and those cash flows arising from the assets disposal; or
- > hold for trading purposes.

Various factors are considered by the Group in determining the appropriate business model for a Company of assets including past experience on how cash flows are managed and how the performance of the asset Group is measured and reported to key management personnel.

Solely payment of principal and interest test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows by both holding and subsequently selling the asset, the Group is required to determine if the cashflows represent solely payments of principal and interest. This assessment considers whether the cash flows represent consideration for: time value of money, lending risks and other elements which are consistent with a basic lending arrangement (eg fees to recover administrative costs).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

(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. The property at View St, Bendigo has been sold as at May 2020 and was accounted for as an available for sale on the Statement of Financial Position once the sales contracts were executed.

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.

The building was disposed of during the year the revaluation reserve has now been transferred to retained earnings.

Depreciation/Amortisation

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

	2020	2019
<i>Asset category</i>		
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.

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

(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, and
- 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

Interest, fee and commission revenue in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer.

The arrangements are generally contractual and the cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable.

Distributions

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

(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 Group 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 2020

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

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 Board of Sandhurst Trustees Limited is ultimately responsible for risk management associated with its business activities and 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 is also required to adhere to the Bendigo and Adelaide Limited Bank's risk management framework.

The risk management strategy of Sandhurst is based upon risk principles approved by the Board and is underpinned by a system of delegations, passing from the Board through Board committees, management committees to the various risk, support and business units of Sandhurst and to the broader 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 2020

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

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.

Counterparty credit 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.

	2020	2019
	\$	\$
Cash and cash equivalents	9,764,740	9,192,123
Trade and other receivables	63,805,552	43,123,714
Financial Assets - amortised cost	6,664,099	6,215,223
Financial assets fair value through other comprehensive income (FVOCI)	8,673,505	9,061,992
	88,907,896	67,593,052

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NOTES TO THE FINANCIAL STATEMENTS
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Note 4 - Revenues

	2020	2019
Revenues:	\$	\$
Commission and management fees received	39,953,474	42,153,101
Interest	133,569	267,382
Managed investment schemes distributions	350,613	313,218
	40,437,656	42,733,701
Other income:		
Other income	77,111	65,116
	77,111	65,116

Note 5 - Expenses

	2020	2019
Fees and commissions:	\$	\$
Adviser and agency commissions	4,404,294	5,845,547
Community Bank commissions	2,849,786	2,619,106
	7,254,080	8,464,653
Staff and related costs*:		
Salaries and wages recharge	6,405,197	6,418,983
Superannuation contributions recharge	653,651	623,035
Payroll costs recharge	419,771	421,674
Other recharge	39,713	40,680
	7,518,332	7,504,372
Other operating expenses:		
Communications, postage and stationery expense	63,463	65,665
Marketing and sponsorship	85,251	122,880
Legal expense	135,561	(511,401)
Depreciation expense	31,859	46,847
Computer systems and software costs	331,597	323,786
Accounting expenses	409,889	237,441
Travel expenses	64,934	86,573
Research	196,782	105,693
Directors fees	175,719	174,793
Other	546,000	1,042,889
	2,041,055	1,695,166

*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

	2020	2019
	\$	\$
Major components of income tax expense are:		
Income Statement		
Current income tax:		
Current income tax charge	7,481,811	3,172,948
Imputation credits		
Adjustments in respect of current income tax of previous years	(2,581)	1,031,192
Deferred income tax:		
Adjustments in respect of deferred income tax of previous years	(63,347)	(1,046,692)
Relating to origination and reversal of temporary differences	(223,859)	4,367,427
Income tax expense reported in the income statement	7,192,024	7,524,875

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 6 - Income tax expense (cont.)

Statement of Changes in Equity

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

Net loss/(gain) on financial assets fair value through other comprehensive income (FVOCI)	116,546	(33,994)
Net loss/(gain) on revaluation of land and buildings	190,170	-
Income tax expense reported in equity	306,716	(33,994)

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:

	2020	2019
	\$	\$
Income tax expense attributable to:		
Accounting profit before income tax	23,701,300	25,134,627

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	7,110,390	7,540,388
Under/(over) provision in prior years	(65,928)	(15,500)
Expenditure not allowable for income tax purposes	670	-
Other	146,892	(13)
Income tax expense reported in the consolidated income statement	7,192,024	7,524,875

Deferred income tax

Deferred income tax at 30 June relates to the following:

Gross deferred tax liabilities

Available-for-sale financial assets	127,052	-
Financial assets fair value through other comprehensive income (FVOCI)	-	(243,598)
Revaluation of land & buildings to fair value	-	(438,245)
Plant, furniture, fittings, office equipment & vehicles	(12,044)	11,444
Other	(13,367)	15,276
	101,641	(655,123)

Gross deferred tax assets

Plant & equipment	35,596	37,442
Accrued Expenses	42,284	-
Other	-	-
	77,880	37,442

At 30 June 2020, there is no unrecognised deferred income tax liability (2019: Nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries or joint ventures of the Group, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries form the tax consolidated Group. Members of the Group entered into a tax sharing agreement to allocate income tax liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated Group is Bendigo and Adelaide Bank Limited.

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 - Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank	9,764,740	9,192,123
	9,764,740	9,192,123

Deposits at short call are made for varying periods and earn interest at the respective distribution rate. These deposits have been reclassified with the introduction of AASB 9 as of the 1 July 2018.

Note 8 - Trade and other receivables

	2020	2019
	\$	\$
<i>Current</i>		
Sundry debtors and accrued income	3,300,647	3,814,214
Income tax due from parent	-	1,096,324
Other assets	-	10,463,182
Amounts receivable from ultimate parent entity	60,504,905	28,846,318
	63,805,552	44,220,038

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

Amount receivables from parent are non-interest bearing and are available at call.

Note 9 - Financial assets - amortised cost

	2020	2019
	\$	\$
Investments in common funds	6,664,099	6,215,223
	6,664,099	6,215,223

A financial asset is measured at amortised cost only if both of the following conditions are met:

- > the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- > the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from these financial assets is included in interest income using the effective interest rate method.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
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Note 10 - Financial assets fair value through other comprehensive income (FVOCI)

	2020	2019
<i>Non-current</i>	<i>\$</i>	<i>\$</i>
Units - In managed investment schemes at fair value	8,673,505	9,061,992
	8,673,505	9,061,992

The Company has irrevocably elected to measure all equity investments that are not held for trading at fair value through other comprehensive income. Subsequent changes to the fair value are recognised in other comprehensive income and are not transferred to the profit or loss, including upon disposal. Dividend income is recognised in profit or loss unless the dividend represents a recovery of part of the cost of the investment.

Note 11 - Property, plant and equipment

	2020	2019
	<i>\$</i>	<i>\$</i>
Freehold land	-	1,250,000
Freehold buildings	-	1,125,000
Accumulated depreciation	-	(63,185)
Freehold buildings	-	1,061,815
Plant and equipment at cost	73,170	361,542
Accumulated depreciation	(64,576)	(292,634)
Plant & Equipment	8,594	68,908
	8,594	2,380,723

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 11 - Property, plant and equipment (cont.'d)

	2020	2019
	\$	\$
Reconciliation		
<i>Freehold land</i>		
Carrying amount at beginning	1,250,000	1,250,000
Disposals	(1,250,000)	-
	-	1,250,000
<i>Freehold buildings</i>		
Carrying amount at beginning	1,061,815	1,089,940
Disposals	(1,047,675)	-
Depreciation expense	(14,140)	(28,125)
	-	1,061,815
<i>Plant & Equipment</i>		
Carrying amount at beginning	68,907	87,590
Disposals	(42,594)	-
Depreciation expense	(17,719)	(18,683)
	8,594	68,907

The STL building located at 14 View Street, Bendigo commenced the expression of interest process on 8th September 2019. An offer was accepted with settlement of the building occurring on 15th May 2020.

Note 12 - Intangible assets

	2020	2019
	\$	\$
Intangible software	694,745	604,055
Accumulated amortisation	(593,769)	(604,055)
	100,976	-
Reconciliation		
Additions	108,189	-
Amortisation expense	(7,213)	-
	100,976	-

Note 13 - Trade and other payables

	2020	2019
	\$	\$
Trade creditors and accrued expenses (a)	726,055	980,565
Income tax due to/(from) parent	3,002,194	-
	3,728,249	980,565

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.

Note 14 - 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 2020

Note 14 - Financial Risk Management (cont.)

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 (2019: 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 2020					
Trade and other payables	3,728,249	3,728,249	-	-	3,728,249
Deferred tax liability	101,641	-	101,641	-	101,641
Total financial liabilities	3,829,890	3,728,249	101,641	-	3,829,890
30 June 2019					
Trade and other payables	980,565	(980,565)	-	-	980,565
Deferred tax liability	655,123	-	655,123	-	655,123
Total financial liabilities	1,635,688	(980,565)	655,123	-	1,635,688

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. Management monitors the exposure to interest rate risk on a monthly basis.

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.

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 14 - Financial Risk Management (cont.)

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 the Group's Statement of Comprehensive Income and Statement of Changes In Equity.

	2020	2019
	\$	\$
Post tax profit		
+ 0.25% (25 Basis points)	24,412	22,980
- 0.25% (25 Basis points)	(24,412)	(22,980)
Equity		
+ 0.25% (25 Basis points)	24,412	22,980
- 0.25% (25 Basis points)	(24,412)	(22,980)

(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 financial assets at fair value through other comprehensive income (FVOCI)

The following table demonstrates a reasonably possible change in FVOCI 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 2019.

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
30 June 2020				
FVOCI with recycling	-	-	867,350	(867,350)
30 June 2019				
Available-for-sale financial assets	-	-	906,199	(906,199)

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

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 2020				Year ended 30 June 2019			
	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								
Financial assets fair value through other comprehensive income	-	8,673,505	-	8,673,505	-	9,061,992	-	9,061,992
	-	8,673,505	-	8,673,505	-	9,061,992	-	9,061,992

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NOTES TO THE FINANCIAL STATEMENTS
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Note 14 - Financial Risk Management (cont.)

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 15 - Contributed equity

	2020	2019
	\$	\$
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 16 - Retained earnings

Movements in retained earnings were as follows:

	2020	2019
	\$	\$
Retained profits at the beginning of the financial year	58,757,680	41,779,962
Net profit attributable to members of the Company	16,509,276	17,609,751
Transfer from property revaluation reserve	821,665	-
Transfer to operational risk reserve	(354,417)	(632,033)
	75,734,204	58,757,680

Note 17 - Reserves

	2020	2019
	\$	\$
Asset Revaluation Reserves	296,452	1,833,789
Operational Risk Reserve	4,234,800	3,880,383
	4,531,252	5,714,172

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 18 - 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:

	2020 \$	2019 \$
Cash at bank	9,764,740	9,192,123
	9,764,740	9,192,123

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

Net profit after income tax	16,509,276	17,609,751
<i>Adjustments:</i>		
Depreciation	31,859	46,807
Amortisation	7,213	-
Property, plant and equipment (profit)/loss	26,039	-
Tax effect on revaluations	306,716	(33,994)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	10,976,749	(11,373,789)
(Increase)/decrease in deferred tax assets	(40,438)	3,330,021
(Decrease)/increase in deferred tax liability	(553,482)	24,707
(Decrease)/increase in accounts payable	(254,510)	(14,724,802)
(Decrease)/increase in accrued expenses	(263,483)	-
(Decrease)/increase in tax payable	4,098,518	(2,037,936)
	30,844,457	(7,159,235)

(c) Non-cash financing and investing activities

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

Note 19 - 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) There is an interest free receivable from the ultimate parent of the company which has no fixed repayment date, and may be recalled at any

	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 \$
2020	55,678,341	23,675,314	70,304,946
2019	17,436,400	24,815,804	38,301,920

(c) Sandhurst Trustees Limited holds investments in the Sandhurst Select Mortgage Fund, valued at \$6,664,099 at 30 June 2020 (2019:

(d) Sandhurst Trustees Limited holds other managed fund investments in funds issued by Sandhurst Trustees Limited valued at \$8,673,505 at 30 June 2020 (2019: \$9,061,992).

(e) Sandhurst Trustees Limited has received \$350,613 (2019: \$313,218) in distributions from the managed fund investments it holds in funds

(f) The parent entity provides a Guarantee of \$500,000 (2019: \$500,000) 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.

i) Sandhurst Trustees Limited holds a bank account with the parent, this holding had on deposit \$9,764,740 at 30 June 2020 (2019: \$9,192,123).

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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Note 20 - Director and executive disclosures

(a) Details of key management personnel

Jennifer Dawson	Chairman, Non-executive Director
Richard Baker	Non-executive Director
Deborah Radford (Appointed 23 July 2019)	Non-executive Director
Antony Robinson (Resigned 23 July 2019)	Non-executive Director
Paul Rohan	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 (2019: \$85,000 plus superannuation of \$8,075). Mr Robinson resigned from the Board on 22 July 2019 and received an annual fee of \$2,248 plus superannuation of \$213 (2019: \$38,052 plus superannuation of \$3,615). Mr Baker received a base annual fee of \$44,973 plus superannuation of \$4,272 (2019: \$36,274 plus superannuation of \$3,446). Ms Radford commenced on the Board on 23 July 2019 and received a base annual fee plus committee chair fee of \$47,541 plus superannuation of \$4,516 (2019: not applicable).

Note 21 - 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 22 - Controlled entities

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

Note 23 - 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 24 – 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

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Note 25 – Involvement in unconsolidated entities (cont.)

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 2020:

	\$
FVOCI With Recycling	8,673,505

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 2020 and 30 June 2019 with structured entities.

	Carrying amount		Maximum loss exposure	
	2020	2019	2020	2019
	\$	\$	\$	\$
FVOCI with recycling	8,673,505	9,061,992	8,673,505	9,061,992
Financial asset at amortised cost	6,664,099	6,215,223	6,664,099	6,215,223

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 26 - 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.

	2020	2019
	\$	\$
Financial position		
Assets		
Current assets	73,570,287	23,469,519
Non-current assets	15,525,059	46,541,703
Total assets	89,095,346	70,011,222
Liabilities		
Current liabilities	3,728,249	(115,759)
Non-current liabilities	101,641	655,128
Total liabilities	3,829,890	539,369
Equity		
Contributed equity	5,000,000	5,000,000
Retained earnings	75,734,204	58,757,680
Reserves	4,531,252	5,714,173
Total equity	85,265,456	69,471,853
Financial performance		
Revenue	40,514,767	42,798,817
Expenses	16,813,467	17,664,191
Profit for the year after tax	16,509,276	17,609,751
Other comprehensive income	(715,672)	79,317
Total comprehensive income	15,793,604	17,689,068

Note 27 - Subsequent events

Since 30 June 2020 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 28 - 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 2020

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 2020 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;

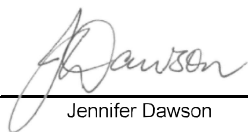
(b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and

(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.

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2020.

On behalf of the Board

Director



Jennifer Dawson

Date: 5 October 2020

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
CORPORATE INFORMATION

Directors

Jennifer Dawson	Chairman, Non-executive Director
Paul Rohan	Executive Director
Richard Baker	Non-executive Director
Deborah Radford (Appointed 23 July 2019)	Non-executive Director
Antony Robinson (Resigned 23 July 2019)	Non-executive Director

Company Secretaries

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

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

Opinion

We have audited the financial report of Sandhurst Trustee Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and 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 Company is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

The Directors 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.

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 Company'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 Company 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 Company'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 Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

Ernst & Young.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Graeme McKenzie', is written over a faint, light blue grid background.

Graeme McKenzie
Partner
Melbourne
5 October 2020