SandhurstTrustees

Sandhurst Trustees Limited

Annual Financial Report 2010

For the year ended 30 June 2010

www.sandhursttrustees.com.au

Contents

Chairman's report

Established in 1888, Sandhurst Trustees is a highly experienced provider of investment solutions and trustee services that creates, enhances and protects wealth.

Over the past financial year the Global Financial Crisis created a challenging environment for Sandhurst Trustees, with the government guarantee on bank deposits attracting funds away from mortgage funds like ours. Many mortgage funds either closed or limited redemption requests during the financial year.

I am delighted to say that both of our funds (Select Mortgage Fund and Investment Common Fund) which predominately invest in mortgage securities, have remained open and continue to pay all redemption requests to customers. We are one of a handful of financial institutions that continue to do so.

This commitment to our customers and confidence in the strength of our business reinforces that we put our customers first.

Our customer's commitment to our managed funds and superannuation solutions meant that we closed the financial year with $2.6 billion under trusteeship. And during the year our Sandhurst Future Leaders Fund was recognised by the Australian Financial Review, winning its Smart Investor Blue Ribbon Award 2009 for the best small-cap fund in Australia.

Sandhurst Trustees maintained its role of Trustee and administrator for the Community Enterprise Foundation™. The foundation is Bendigo and Adelaide Bank's philanthropic arm and was established to make charitable giving more accessible to everyday Australians who wish to show their support for causes they believe in, while promoting more sustainable communities across Australia.

The foundation, now in its fifth year of operation, continues to grow and has now gifted more than $30 million since its inception. More than 80 community companies now use the foundation to distribute grants back into their communities.

In August 2010, our intention to acquire a 24 per cent stake in Linear Asset Management was announced and the acquisition was completed in September.

This acquisition will provide us with an opportunity to advance our wealth strategy by partnering with an organisation that offers a strong value proposition to investors, advisers and most importantly customers. This investment will also give us access to a high growth, low (ongoing) capital intensive industry sector and additional funding.

Linear is a platform provider to the financial planning and stockbroking fraternity. It is considered 'new generation' as the platform development commenced in December 2007 utilising a proprietary information technology system leveraging off existing, established and highly scalable software.

The platform industry in its entirety has funds under administration as at December 2009 totalling some $410 billion and 79 per cent of all retail investment inflows are managed via platforms.

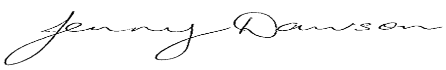
Overall we are ready to take advantage of improving market fundamentals. Rationalisation and consolidation of the industry and potential benefits from planned regulatory and legislative changes are likely to provide long-term benefits for us.

To ensure this readiness new management appointments have been made throughout the year both within Sandhurst and the broader Bendigo and Adelaide Bank. With these appointments we saw Marnie Baker assume the role of Executive Banking and Wealth which among other areas retains responsibility for Sandhurst Trustees.

I would like to take the opportunity to thank Marnie for her efforts as our CEO and as a Director of Sandhurst and wish her best in the new role. I am pleased to say that Marnie will retain her role as a Director of Sandhurst which we welcome.

Andy Gooden was appointed as General Manager Sandhurst Trustees in January 2010 and he brings with him a strong wealth management and fund distribution background. I welcome Andy to Sandhurst and appreciate his efforts and commitment to date.

My thanks to all Board and committee members and I deeply thank all those who have been involved in the management and operation of Sandhurst Trustees for their significant contributions during the year and their dedicated service to Sandhurst Trustees' clients.



Jenny Dawson
Chairman

Directors' report

Your Directors submit the financial report of Sandhurst Trustees Limited (the Company) and its controlled entities for the year ended 30 June 2010.

Directors

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

Jenny Dawson, *Chairman (appointed 18th September 2009)*

Ian Mansbridge, Non-executive Director

Marnie Baker, Executive Director

Anthony Baum, *Executive Director (Appointed 18th September 2009. Resigned 30 June 2010)*

Michael Hirst, *(resigned 18th September 2009)*

David Oataway, *(resigned 18th September 2009)*

Joint Company Secretary

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

David A Oataway

Mark S Hall

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;
- Estate administration / will preparation; and
- Trustee for superannuation plans.

There was no significant change in the nature of these activities during the year.

At 30 June 2010 there were 46 (2009: 44) staff employed by Bendigo and Adelaide Bank Limited to undertake the above activities.

Consolidated results

Economic entity results in brief:

	2010	**2009**
	$	**$**
Profit before income tax	19,979,246	20,386,653
Profit after income tax	15,612,063	14,285,973
Dividends paid	14,970,000	14,420,000

The Directors do not recommend the payment of a further dividend at this time.

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 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 from ordinary activities after income tax expense of $15,612,063. This represents an 9% increase from the $14,285,973 profit from ordinary activities after income tax expense for 2009. Profit from ordinary activities before income tax expense was $19,979,246 compared to $20,386,653 for 2009, representing a 2% decrease.

Funds management

Total Funds Under Management for our funds management and superannuation business managed by Sandhurst Trustees declined for the year, with funds under management decreasing to $2.05 billion at 30 June 2010, primarily due to uncertain market conditions.

Common Funds investments declined, with Funds under management totalling $1.345 billion at 30 June 2010.

The Sandhurst Industrial Share Fund experienced the effect of the adverse market conditions during the year, decreasing to $259 million ($267 million - 2009). The Sandhurst Future Leaders Fund totalled $23 million ($23 million - 2009). The Professional Series fund assets decreased to $75 million ($76 million - 2009).

The Bendigo Managed Funds, all managed by a collection of specialist investment managers, increased to $85 million at June 30 2010 ($74 million - 2009).

Superannuation and share ownership continues to assume growing importance for Australians seeking to create wealth and plan for their retirement. Funds under management for the Bendigo Superannuation Plan increased to $243 million ($240 million - 2009). The Super Easy Plan, introduced during the 2007 financial year, offers customers a simple and low fee superannuation alternative. Fund assets grew by 17% to $20 million at the end of the period ($17 million - 2009).

Corporate trustee & custodial services

Revenue from Corporate trustee and custodial services decreased by 5% on the prior year primarily due to general depressed market conditions and lower custody fees generated by lower asset values in corporate trust clients' managed funds.

Estate administration / will preparation

Traditional trustee and will-making services continue to provide premium service and build long-term relationships with its clients.

The Company has continued with the strategy designed to generate growth in the Will Bank and actively promote the value of appointing a Trustee as executor.

Significant events after balance date

On the 9 August 2010 the Bank announced its intention, through the signing of a heads of agreement, to purchase 24 per cent of Linear Asset Management. This business will provide significant scope for growth in the banks wealth deposit and financing businesses.

Apart from the above, 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, the Company paid insurance premiums to insure certain officers of the Company and related bodies corporate 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. The officers covered by the insurance policy include the Directors listed in this report, the secretary and senior management of the Company.

Disclosure of the nature of the policy and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. 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, estates and agencies for which the company acts as trustee, 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.

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 ______________________________
Marnie Baker

Dated this 20th day of September 2010

Sandhurst Trustees Limited
and Controlled Entities

Statement of comprehensive income
for the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $	Company 2010 $	Company 2009 $
Revenues	4	40,980,062	42,788,660	40,980,062	42,788,660
Total revenue	4	40,980,062	42,788,660	40,980,062	42,788,660
Fees and commissions expense	5	(10,047,751)	(13,663,993)	(10,047,751)	(13,663,993)
Business promotion expense	5	(169,325)	(119,382)	(169,325)	(119,382)
Employee benefits expense	5	(3,979,266)	(3,179,488)	(3,979,266)	(3,179,488)
Occupancy expense	5	(597,908)	(473,988)	(597,908)	(468,624)
Property, plant & equipment costs	5	(32,809)	(32,421)	(32,809)	(32,421)
Computer systems and software costs	5	(383,456)	(396,281)	(383,456)	(396,281)
Administration expense	5	(4,616,521)	(3,522,813)	(4,616,521)	(3,522,806)
Net loss on sale of non-current assets	5	-	(14,758)	-	(14,758)
Other expenses	5	(1,173,780)	(998,883)	(1,173,780)	(998,884)
Total expenses		(21,000,816)	(22,402,007)	(21,000,816)	(22,396,637)
Profit before income tax		19,979,246	20,386,653	19,979,246	20,392,023
Income tax expense	6	4,367,183	6,100,680	4,367,183	6,102,291
Net profit attributable to members of the parent		15,612,063	14,285,973	15,612,063	14,289,732
Other comprehensive income					
Available-for-sale financial assets					
Transferred realised gains to other income		(110,425)	(14,758)	(110,425)	(14,758)
Net fair value gains on available for-sale financial assets		32,737,550	2,199,494	32,737,550	2,199,494
Tax effect on items taken directly to or transferred from equity		(9,899,384)	(659,848)	(9,899,384)	(659,848)
Total comprehensive income for the period attributable to mebers of the parent		38,339,804	15,810,861	38,339,804	15,814,620

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Sandhurst Trustees Limited
and Controlled Entities
Statement Financial Position
as at 30 June 2010

	Note	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
		$	$	$	$
Current assets					
Cash and cash equivalents	8	13,598,999	14,395,910	13,598,999	14,395,910
Trade and other receivables	9	3,382,820	3,684,063	3,397,820	3,684,063
Prepayments	10	-	7,013	-	7,013
Available-for-sale financial assets	11	108,654,432	78,188,984	108,654,432	78,188,984
Total current assets		125,636,251	96,275,970	125,651,251	96,275,970
Non - current assets					
Shares in controlled entities at cost		-	-	16	16
Trade and other receivables	9	39,345	46,461	24,345	46,461
Property, plant and equipment	12	1,814,793	1,760,688	1,814,793	1,760,688
Intangible assets	13	79,548	946	79,548	946
Deferred tax assets	6	29,103	8,345	29,103	8,345
Total non - current assets		1,962,789	1,816,440	1,947,805	1,816,456
Total assets		127,599,040	98,092,410	127,599,056	98,092,426
Current liabilities					
Income tax payable		3,732,937	10,542,794	3,732,937	10,544,437
Trade and other payables	15	75,694,720	72,796,082	75,389,216	72,488,933
Total current liabilities		79,427,657	83,338,876	79,122,153	83,033,370
Non - current liabilities					
Deferred tax liability	6	12,808,156	2,870,536	12,808,156	2,870,536
Total non - current liabilities		12,808,156	2,870,536	12,808,156	2,870,536
Total liabilities		92,235,813	86,209,412	91,930,309	85,903,908
Net assets		35,363,227	11,882,998	35,668,747	12,188,518
Equity					
Equity attributable to equity holders					
Contributed equity	17	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings	18	5,601,097	4,959,034	5,906,617	5,264,554
Reserves		24,762,130	1,923,964	24,762,130	1,923,964
Total equity		35,363,227	11,882,998	35,668,747	12,188,518

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 2010

Consolidated

	Issued capital	Asset Revaluation reserve - Property	Asset Revaluation reserve - Shares	Retained earnings	Total equity
Balance at 1 July 2008	5,000,000	682,000	(297,682)	5,093,061	10,477,377
Other Comprehensive Income	-	-	1,539,646	-	1,539,648
Profit/(loss) for the period	-	-	-	14,285,973	14,285,973
Total Comprehensive income for the period	-	-	1,539,646	14,285,973	15,825,621
Dividends paid	-	-	-	(14,420,000)	(14,420,000)
Balance at 30 June 2009	5,000,000	682,000	1,241,964	4,959,034	11,882,998
Balance at 1 July 2009	5,000,000	682,000	1,241,964	4,959,034	11,882,998
Other Comprehensive Income	-	-	22,838,166	-	22,838,166
Profit/(loss) for the period	-	-	-	15,612,063	15,612,063
Total Comprehensive income for the period	-	-	22,838,166	15,612,063	38,450,229
Dividends paid	-	-	-	(14,970,000)	(14,970,000)
Balance at 30 June 2010	5,000,000	682,000	24,080,130	5,601,097	35,363,227

Company

	Issued capital	Asset Revaluation reserve - Property	Asset Revaluation reserve - Shares	Retained earnings	Total equity
Balance at 1 July 2008	5,000,000	682,000	(297,682)	5,394,822	10,779,138
Other Comprehensive Income	-	-	1,539,646	-	1,539,648
Profit/(loss) for the period	-	-	-	14,289,732	14,289,732
Total Comprehensive income for the period	-	-	1,539,646	14,289,732	15,829,380
Dividends paid	-	-	-	(14,420,000)	(14,420,000)
Balance at 30 June 2009	5,000,000	682,000	1,241,964	5,264,554	12,188,518
Balance at 1 July 2009	5,000,000	682,000	1,241,964	5,264,554	12,188,518
Other Comprehensive Income	-	-	22,838,166	-	22,838,166
Profit/(loss) for the period	-	-	-	15,612,063	15,612,063
Total Comprehensive income for the period	-	-	22,838,166	15,612,063	38,450,229
Dividends paid	-	-	-	(14,970,000)	(14,970,000)
Balance at 30 June 2010	5,000,000	682,000	24,080,130	5,906,617	35,668,747

Sandhurst Trustees Limited
and Controlled Entities

Statement of cash flows
for the year ended 30 June 2010

	Note	Consolidated 2010	2009	Company 2010	2009
		$	$	$	$
Cash flows from operating activities					
Fees & Commissions received		43,955,718	41,815,628	43,955,718	41,815,628
Payments to suppliers and employees		(20,046,340)	(21,935,899)	(20,046,340)	(21,930,529)
Income tax paid		(11,161,205)	(1,062,359)	(11,161,205)	(1,062,359)
Dividends received		6,159,690	125,715	6,159,690	125,715
Interest received		549,045	877,583	549,045	877,583
Net cashflow from operating activities	19 (b)	19,456,908	19,820,668	19,456,908	19,826,038
Cash flows from investing activities					
Purchase of property, plant and equipment		(86,315)	-	(86,315)	-
Purchase of intangible software		(79,200)	(1,494)	(79,200)	(1,494)
Purchase of equity investments		-	(75,107,928)	-	(75,107,928)
Tax effect on revaluations		(9,899,384)	-	(9,899,384)	-
Proceeds from sale of Available-for-sale financial assets		2,382,526	5,242	2,382,526	5,242
Net cashflow used in investing activities		(7,682,373)	(75,104,180)	(7,682,373)	(75,104,180)
Cash flows from financing activities					
Receipt/(Repayment) of funding from parent entity		2,398,553	71,647,618	2,398,553	71,642,248
Dividends paid		(14,970,000)	(14,420,000)	(14,970,000)	(14,420,000)
Net cashflow from/ used in financing activities		(12,571,447)	57,227,618	(12,571,447)	57,222,248
Net increase/(decrease) in cash and cash equivalents held		(796,911)	1,944,106	(796,911)	1,944,106
Cash and cash equivalents at beginning of year		14,395,910	12,451,804	14,395,910	12,451,804
Cash and cash equivalents at end of year	19 (a)	13,598,999	14,395,910	13,598,999	14,395,910

The above cash flow statement should be read in conjunction with the accompanying notes.

Note 1 - Corporate information

The financial report of Sandhurst Trustees Limited for year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 10th September 2010.

The financial report covers Sandhurst Trustees Limited as an individual parent entity and Sandhurst Trustees Limited and controlled entities as a 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 the group are described in the Directors' Report.

Note 2 - Summary of significant accounting policies

(a) Basis of preparation

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.
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.

The financial report is a general purpose financial report which has been prepared in accordance with the Banking Act, Australian Accounting Standards, Corporations Act 2001 and the requirements of law so far as they are applicable to Australian Banking corporations, including the application of ASIC Class Order 10/654 allowing the disclosure of Parent entity financial statements due to Australian Financial Services Licensing obligations.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2010:

These are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.	01-January-2010	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-July-2010

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 2009-5 cont'd..		The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: ► has primary responsibility for providing the goods or service; ► has inventory risk; ► has discretion in establishing prices; ► bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.			

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	01-July-2010	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-July-2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value ► removal of the requirement to separate embedded derivatives in financial assets ► strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity’s purpose for holding the instrument is to collect the contractual cash flows	01-January-2013	Sandhurst Trustees Limited has not yet determined the extent of the impacts of the amendm-ents, if any.	01-July-2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11 cont'd..		► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income			
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.	01-January-13	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-January-13

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9 cont'd..		(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.			
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.	01-January-11	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-January-11

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised) cont'd..		A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.			
AASB 2010-1	Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	01-July-10	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-July-10
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	01-July-10	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-July-10

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	01-January-11	Sandhurst Trustees Limited has not yet determined the extent of the impact on any amendments, if any.	01-July-11

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

(c) Changes in accounting policies

All accounting policies adopted are consistent with those of the previous year with the adoption of the following standards.

- AASB 101 *Presentation of Financial Statements (revised 2007) effective January 2009.* As a result of this standard there are additional line items in the Statement of Comprehensive Income and statement of changes in equity to disclose the comprehensive income.

- AASB 8 *Operating Segments* effective 1 January 2009. As Sandhurst Trustees Limited is not a listed company we are no longer required to disclose segment reporting.

- AASB 7 *Financial Instruments:* Disclosures effective 1 January 2009. Analysis of the financial instruments is performed to determine the level each instrument is disclosed as, refer to note 16 (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 23 to the financial statements.

Controlled entities prepare financial reports for consolidation in conformity with 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.

(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 deposits 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 deposits are stated at nominal value. This also includes our deposits at short call, which mature on a quarterly basis.

For the purposes of the Statement of Cash Flow, 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 using the effective interest rate method, 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.

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

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.

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.
An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.
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:

Major depreciation periods are:	2010	2009
Asset category		
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 or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

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

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.

(j) Intangible assets

Acquired computer software, other than software that is an integral part of the computer hardware, is capitalised as intangible software and amortised on a straight-line basis over the useful life of the asset.

The useful life of intangible software has been assessed as finite and is being depreciated over 3 years.

(k) Trustee and funds management activities

The group acts as trustee and/or manager for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements, other than those that are deemed controlled entities as defined by Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Commissions and fees generated by the fund management activities are brought to account on an accruals basis when earned.

(l) Accrued Expenses

Expenses are accrued for once realised and are classified as accrued expenses if the following criteria is met.
- The amount can be accurately calculated
- The period they belong to can be determined
- The period they will be paid is known

(m) 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.

(n) 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.

(o) 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.

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

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.

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

Sandhurst Trustee 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 group has applied the group allocation approach in determining the appropriate amount current taxes and deferred taxes to allocate to members of the tax consolidated group.

(p) 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 flow 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.

(q) Reserve Fund

Up until May 2010, part VI of the Trustee Companies Act 1984 ("the Act") required that the Group maintain a Reserve Fund, monies from which were to be paid out in accordance with section 39(3) of the Act in the event of the appointment of a liquidator, a receiver. A receiver and manager, or an administrator to the Group.

Whilst no longer a requirement of the Act, the Group continues to maintain a Reserve Fund. Refer to note 14 for a breakdown of asset amounts that comprise the Reserve Fund.

(r) 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.

(s) 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.

(t) 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 the Group's strategy and profitability and the way the Group operates.

The Bendigo & Adelaide Bank Board (the "Board"), being ultimately responsible for risk management associated with the Group's activities, has established an integrated governance and accountability framework, policies and controls to identify, assess, monitor and manage risk.

The risk management strategy 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 the Group.

A structured framework has been established to ensure that the risk management objectives are linked to the Group's business strategy and operations. The risk management strategy is 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 fund and share investments.

The main purpose of these financial instruments is to raise finance for the Company's operations. The Group 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(m) to the financial statements.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, credit risk and liquidity 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.

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.

The Board Credit Committee is responsible for monitoring adherence to credit policies, practices and procedures within the Group.

The Board has established levels of delegated lending authority under which various levels of management (including the Credit Committee), partners and the Board Credit Committee can approve transactions.

Group Credit Risk has responsibility for:
- Managing, maintaining and enhancing the currency and relevance of the Group's Credit Policies;
- Providing support and analysis of credit portfolio information for credit management purposes; and
- Reporting to the Executive Credit Committee and the Board Credit Committee.

With respect to credit risk arising from the financial assets of the Group, the Group'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 group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

There is generally no significant concentration of credit risks as the organisation transacts with a large number of individually immaterial debtors.

Credit risk is not considered to be significant to the Company except in relation to investments in available for sale financial assets.

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

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
Gross maximum exposure	**$**	**$**	**$**	**$**
Cash and cash equivalents	13,598,999	14,395,910	13,598,999	14,395,910
Trade and other receivables	3,422,165	3,730,524	3,422,165	3,730,524
Prepayments	-	7,013	-	7,013
Available for sale financial assets	108,654,432	78,188,984	108,654,432	78,188,984
Shares in controlled entities at cost	-	-	16	16
Total credit risk exposure	125,675,596	96,322,431	125,675,612	96,322,447

Note 4 – Revenues

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Revenue				
- Commission and management fees received	33,877,256	41,651,225	33,877,256	41,651,225
- Interest	593,672	750,624	593,672	750,624
- Dividends [(a)]	6,159,690	125,715	6,159,690	125,715
- Property revenue	231,900	261,063	231,900	261,063
Total revenue	40,862,518	42,788,627	40,862,518	42,788,627
Other income				
- Net gains on sale of available-for-sale investmen	110,425	-	110,425	-
- Other revenues	7,119	33	7,119	33
Total other income	117,544	33	117,544	33
Total revenues	40,980,062	42,788,660	40,980,062	42,788,660
(a) Dividends from:				
- Other corporations	6,099,035	23,064	6,099,035	23,064
- Unit trust distributions	60,655	102,651	60,655	102,651
	6,159,690	125,715	6,159,690	125,715

Note 5 – Expenses

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Management fees and commissions paid				
- Managed investment schemes	(9,797,205)	(13,612,076)	(9,797,205)	(13,612,076)
- Superannuation	(11,437)	(51,917)	(11,437)	(51,917)
- Interest Expense	(239,109)	-	(239,109)	-
	(10,047,751)	(13,663,993)	(10,047,751)	(13,663,993)
Business promotion expense				
- Sponsorship	(28,931)	(34,883)	(28,931)	(34,883)
- Printing	(61,572)	(66,920)	(61,572)	(66,920)
- Promotional items	(127)	(182)	(127)	(182)
- Other	(78,695)	(17,397)	(78,695)	(17,397)
	(169,325)	(119,382)	(169,325)	(119,382)
Employee benefits expense				
- Salaries and wages recharge	(2,990,331)	(2,155,564)	(2,990,331)	(2,155,564)
- Superannuation contributions recharge	(304,645)	(231,982)	(304,645)	(231,982)
- Provision for annual leave recharge	(342,477)	(293,886)	(342,477)	(293,886)
- Provision for long service leave recharge	(81,020)	(16,737)	(81,020)	(16,737)
- Other provisions recharge	-	(258,393)	-	(258,393)
- Payroll tax recharge	(188,816)	(163,367)	(188,816)	(163,367)
- Fringe benefits tax recharge	(32,089)	(21,730)	(32,089)	(21,730)
- Other recharge	(39,888)	(37,829)	(39,888)	(37,829)
	(3,979,266)	(3,179,488)	(3,979,266)	(3,179,488)
Occupancy expense				
- Operating lease rental expense	(534,256)	(430,459)	(534,256)	(425,095)
- Rates and taxes	(17,844)	(20,429)	(17,844)	(20,429)
- Repairs and maintenance	(45,808)	(21,754)	(45,808)	(21,754)
- Outgoings	-	(1,346)	-	(1,346)
	(597,908)	(473,988)	(597,908)	(468,624)
Property, plant & equipment costs				
- Building depreciation	(23,693)	(23,693)	(23,693)	(23,693)
- Plant and equipment depreciation	(8,518)	(5,453)	(8,518)	(5,453)
- Intangible software amortisation	(598)	(3,275)	(598)	(3,275)
	(32,809)	(32,421)	(32,809)	(32,421)
Computer systems and software costs				
- Computer line rental & installations	(27,542)	(40,549)	(27,542)	(40,549)
- Leasing costs	(52,554)	(47,864)	(52,554)	(47,864)
- Repairs and maintenance hardware	(9,737)	(8,787)	(9,737)	(8,787)
- Software maintenance	(293,623)	(264,890)	(293,623)	(264,890)
- Software purchases	-	(34,191)	-	(34,191)
	(383,456)	(396,281)	(383,456)	(396,281)
Administration expense				
- Parent entity cost recoveries	(1,498,756)	(2,954,185)	(1,498,756)	(2,954,185)
- Legal expenses	(2,516,301)	(117,297)	(2,516,301)	(117,297)
- Consulting expenses	(64,480)	(65,631)	(64,480)	(65,631)
- Accounting expenses	(98,595)	(26,230)	(98,595)	(26,230)
- Stationery and office supplies	(70,994)	(66,351)	(70,994)	(66,344)
- Motor vehicle expenses	(33,647)	(19,472)	(33,647)	(19,472)
- Insurance premiums	(9,685)	(11,475)	(9,685)	(11,475)
- Telephone	(69,515)	(59,835)	(69,515)	(59,835)
- Postage	(81,630)	(91,551)	(81,630)	(91,551)
- Travel expenses	(36,720)	(12,935)	(36,720)	(12,935)
- Subscriptions to associations	(114,405)	(77,892)	(114,405)	(77,892)
- Electricity / gas and fuel	(21,793)	(19,959)	(21,793)	(19,959)
	(4,616,521)	(3,522,813)	(4,616,521)	(3,522,806)
Net loss on sale of non-current assets	-	(14,758)	-	(14,758)
Other expenses	(1,173,780)	(998,883)	(1,173,780)	(998,884)
Total expenses	(21,000,816)	(22,402,007)	(21,000,816)	(22,396,637)

The ultimate parent entity provides administrative services that are charged back to the reporting entity.

Note 6 – Income tax expense

Major components of income tax expense are:

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
Income Statement	**$**	**$**	**$**	**$**
Current income tax:				
Current income tax charge	6,708,954	3,839,553	6,708,954	3,841,184
Adjustments in respect of current income tax of previous years	230,076	(14,458)	230,076	(14,458)
Deferred income tax:				
Relating to origination and reversal of temporary differences	21,032	2,285,470	21,032	2,285,450
Imputation credits	(2,613,872)	(9,885)	(2,613,872)	(9,885)
Other items	20,993	-	20,993	
Income tax expense reported in the Income Statement	4,367,183	6,100,680	4,367,183	6,102,291
Statement of Changes in Equity				
Deferred income tax related to items charged or credited directly in equity				
Unrealised gain of available-for-sale financial assets	9,899,384	659,848	9,899,384	659,848
Income tax expense / (benefit) reported in equity	9,899,384	659,848	9,899,384	659,848

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:

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Income tax attributable to:				
Accounting profit before income tax	19,979,246	20,386,652	19,979,246	20,392,023
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	5,993,774	6,115,996	5,993,774	6,117,607
Under (over) provision in prior years	230,076	(14,458)	230,076	(14,458)
Tax credits and adjustments	(2,613,872)	(9,885)	(2,613,872)	(9,885)
Expenditure not allowable for income tax purposes	13,044	6,676	13,044	6,696
Other non assessable income	(84,128)	(2,058,935)	(84,128)	(2,058,935)
Deferred tax movement	21,032	2,285,469	21,032	2,285,449
Other	807,257	(224,183)	807,257	(224,183)
Income tax expense reported in the consolidated Income Statement	4,367,183	6,100,680	4,367,183	6,102,291

Note 6 – Income tax expense (cont'd..)

	Statement of Financial Position	
	2010	**2009**
	$	**$**
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
Deferred tax liabilities		
Revaluations of investments	(12,545,463)	(2,595,078)
Land, buildings and improvements	(262,693)	(273,354)
Deferred expenses	-	(2,104)
Deferred tax liabilities	(12,808,156)	(2,870,536)
Deferred tax assets		
Expenses tax depreciable	1,752	1,241
Plant & equipment	6,358	7,104
Other	20,993	-
Deferred tax assets	29,103	8,345
Deferred tax income / (expense)		
Sandhurst Trustees		
Deferred tax liabilities		
Revaluations of investments	(12,545,463)	(2,595,078)
Revaluations of land & buildings to fair value	(262,693)	(273,354)
Deferred expenses	-	(2,104)
Deferred tax liabilities	(12,808,156)	(2,870,536)
Deferred tax assets		
Revaluations of investments		
Post-employment benefits	-	-
Expenses tax depreciable	1,752	1,241
Plant & equipment	6,358	7,104
Adjustment to employee provision	-	-
Other	20,993	-
Deferred tax assets	29,103	8,345
Deferred tax income / (expense)		

At 30 June 2010, there is no unrecognised deferred income tax liability (2009: 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 taxation, the parent of Sandhurst Trustees, Bendigo and Adelaide Bank Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have 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.

Tax effect accounting by members of the tax consolidated group

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 principle of Accounting Standard AASB 112 "Income Taxes". Allocations under the tax funding agreement are made at the end of each month.

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.

Note 7 - Dividends paid and proposed

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Total interim fully franked dividends paid franked at tax rate of 30% (2009 - 30%) 2010: $1.497 per share (2009: $1.442)	14,970,000	14,420,000	14,970,000	14,420,000

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

Note 8 - Cash and cash equivalents

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Cash at bank	269,199	1,397,576	269,199	1,397,576
Cash on hand	14,033	9,154	14,033	9,154
Deposits at short call	13,315,767	12,989,180	13,315,767	12,989,180
	13,598,999	14,395,910	13,598,999	14,395,910

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 2010 was 4.37% (2009 - 5.44%).

Note 9 - Trade and other receivables

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Current				
Sundry debtors and accrued income	3,382,820	3,684,063	3,397,820	3,684,063
Non-current				
Other debtors	39,345	46,461	24,345	46,461

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 44 months.

Note 10 - Prepayments

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Current	-	7,013	-	7,013

Note 11 - Available-for-sale financial assets

	Consolidated		Company	
	2010	2009	2010	2009
Current	$	$	$	$
Shares -				
In listed corporations at fair value	107,271,254	77,155,981	107,271,254	77,155,981
In managed investment schemes at fair value	1,383,178	1,033,003	1,383,178	1,033,003
	108,654,432	78,188,984	108,654,432	78,188,984

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

Listed shares & shares 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 12 - Property, plant and equipment

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Total freehold land	850,000	850,000	850,000	850,000
Freehold buildings	947,721	947,721	947,721	947,721
Accumulated depreciation	(71,079)	(47,386)	(71,079)	(47,386)
Total freehold buildings	876,642	900,335	876,642	900,335
Plant and equipment at cost	998,889	912,573	998,889	912,573
Accumulated depreciation	(910,738)	(902,220)	(910,738)	(902,220)
Total plant and equipment	88,151	10,353	88,151	10,353
Total property, plant and equipment	1,814,793	1,760,688	1,814,793	1,760,688
Reconciliation				
Freehold land				
Carrying amount at beginning	850,000	850,000	850,000	850,000
Carrying amount at end	850,000	850,000	850,000	850,000
Freehold buildings				
Carrying amount at beginning	900,335	924,028	900,335	924,028
Depreciation expense	(23,693)	(23,693)	(23,693)	(23,693)
Revaluation increment	-	-	-	-
Carrying amount at end	876,642	900,335	876,642	900,335
Plant and equipment				
Carrying amount at beginning	10,353	15,806	10,353	15,806
Additions	86,315	-	86,315	-
Depreciation expense	(8,518)	(5,453)	(8,518)	(5,453)
Carrying amount at end	88,150	10,353	88,150	10,353

The fair values of freehold land and buildings on freehold land have been determined by reference to Director valuations, based upon independent valuations previously obtained. 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. The effective date of the revaluation was 30 June 2007.

Note 13 - Intangible assets

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Intangible software	479,484	400,284	479,484	400,284
Accumulated amortisation	(399,936)	(399,338)	(399,936)	(399,338)
Total intangible assets	79,548	946	79,548	946
Reconciliation				
Intangible software				
Carrying amount at beginning	946	2,727	946	2,727
Additions	79,199	1,494	79,199	1,494
Disposals	-	-	-	-
Amortisation expense	(598)	(3,275)	(598)	(3,275)
Carrying amount at end	79,548	946	79,548	946

Note 14 - Reserve fund

Up until May 2010, part VI of the Trustee Companies Act 1984 ("the Act") required that the Group maintain a Reserve Fund. Whilst no longer a requirement of the Act, the Group continues to maintain a Reserve Fund. The assets from time to time comprising the Reserve fund have been appropriated to that fund as required pursuant to section 36 of The Trustee Companies Act 1984 - Victoria.

Section 38 of the Act provides that monies in a Reserve fund may be invested in any manner in which trust monies may be invested by a trustee under the Trustee Act 1958.

In addition to the powers of investment as prescribed above, a trustee company may invest monies in its Reserve fund in freehold land and buildings in the State.

At reporting date, the entity has invested Reserve fund monies in the following assets, which are already included in the Statement of Financial Position:

	Consolidated		Company	
	2010 $	2009 $	2010 $	2009 $
Deposits at short call	10,390,181	8,237,453	10,390,181	8,237,453
Managed fund investments	1,383,177	1,033,003	1,383,177	1,033,003
Freehold land and buildings	1,726,642	1,750,335	1,726,642	1,750,335
Tasmanian Perpetual Trustees share investment	-	2,479,209	-	2,479,209
	13,500,000	13,500,000	13,500,000	13,500,000

Deposits at short call and managed fund investments are carried at fair value and are items readily convertible into cash and generally repayable on demand. The managed fund investments are regarded as available-for-sale assets.

Freehold land and buildings are at Directors' valuation (based on an independent valuation at 30 June 2007).

Tasmanian Perpetual Trustees shares are measured at fair value, being quoted market price at reporting date, and are regarded as available-for-sale assets.

Note 15 - Trade and other payables

	Consolidated		Company	
	2010 $	2009 $	2010 $	2009 $
Trade creditors and accrued expenses (a)	881,411	379,682	881,426	379,682
Amounts payable to ultimate parent entity (b)	74,813,309	72,416,400	74,507,790	72,109,251
	75,694,720	72,796,082	75,389,216	72,488,933

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 16 - Financial Risk Management

The Group has exposure to credit risk, liquidity risk and market 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 processed 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.

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 (2009: 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:

Consolidated	Carrying Amount $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
30 June 2010					
Trade and other payables	75,694,720	75,694,720	-	-	75,694,720
Total financial liabilities	75,694,720	75,694,720	-	-	75,694,720
30 June 2009					
Trade and other payables	72,796,082	72,796,082	-	-	72,796,082
Total financial liabilities	83,338,876	72,416,400	-	-	72,796,082

Company	Carrying Amount $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Total $'000
30 June 2010					
Trade and other payables	75,389,216	75,389,216	-	-	75,389,216
Total financial liabilities	75,389,216	75,389,216	-	-	75,389,216
30 June 2009					
Trade and other payables	72,488,933	72,488,933	-	-	72,488,933
Total financial liabilities	83,033,372	10,924,121	72,109,251	-	72,488,933

Note 16 - Financial Risk Management (cont'd..)

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.

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 equity.

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Post tax profit				
+ 1% (100 Basis points)	26,920	139,758	26,920	139,758
- 1% (100 Basis points)	(26,920)	(139,758)	(26,920)	(139,758)
Equity				
+ 1% (100 Basis points)	26,920	139,758	26,920	139,758
- 1% (100 Basis points)	(26,920)	(139,758)	(26,920)	(139,758)

(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 the ASX200. 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 2009.

Consolidated	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
	$	$	$	$
30 June 2010				
Available for sale financial assets	-	-	10,865,443	(10,865,443)
30 June 2009				
Available for sale financial assets	-	-	7,818,898	(7,818,898)

Company	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
	$	$	$	$
30 June 2010				
Available for sale financial assets	-	-	10,865,443	(10,865,443)
30 June 2009				
Available for sale financial assets	-	-	7,818,898	(7,818,898)

Note 16 - Financial Risk Management (cont'd..)

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 represents a reasonable approximation of fair value, unless otherwise stated in the applicable notes.

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 2010				Year ended 30 June 2009			
	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
	$000	$000	$000	$000	$000	$000	$000	$000
Consolidated								
Financial assets								
Available for sale investments								
Listed Investments	107,271				77,156			
Managed Investments		1,383				1,033		
	107,271	1,383	0	0	77,156	1,033	0	0
Financial Liabilities								
	0	0	0	0	0	0	0	0

	Year ended 30 June 2010				Year ended 30 June 2009			
	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
	$000	$000	$000	$000	$000	$000	$000	$000
Parent								
Financial assets								
Available for sale investments								
Listed Investments	107,271				77,156			
Managed Investments		1,383				1,033		
	107,271	1,383	0	0	77,156	1,033	0	0
Financial Liabilities								
	0	0	0	0	0	0	0	0

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices. The Managed Investment value is determined by Net Asset Value provided by the Fund Manager as published through the respective fund managers website.

Note 16 - Financial Risk Management (cont'd..)

e. Capital Management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Group. Capital is represented by total equity as recorded in the Statement of Financial Position. The ultimate parent entity contributes additional capital to the Group as and when required. Sandhurst Trustees Limited capital management objectives are in line with the head entity Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited key capital management objectives are to:

- Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance;
- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the Group to continue as a going concern;
- Ensure that capital management is closely aligned with the Group's business and strategic objectives; and
- Achieve progressive improvement to short and long term credit ratings.

The Group manages capital adequacy according to the framework provided by the APRA Prudential Standards.
Under Section 36(2) of the Trustee Companies Act 1984 (Vic) and Trustee Companies Regulations 1995 (Vic), Sandhurst Trustees must maintain a Reserve Fund of not less than 0.5% of the value of Trust Estate and Common Fund monies held in the State of Victoria. Refer to note 14 for further detail.

Note 17 - Contributed equity

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
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 18 - Retained earnings

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Movements in retained earnings were as follows:				
Retained profits at the beginning of the financial year	4,959,034	5,093,061	5,264,554	5,394,822
Net profit attributable to members of the Company	15,612,063	14,285,973	15,612,063	14,289,732
Dividends provided for or paid	(14,970,000)	(14,420,000)	(14,970,000)	(14,420,000)
Retained profits at the end of the financial year	5,601,097	4,959,034	5,906,617	5,264,554

Note 19 - Cash flow information

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
(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:				
Cash on hand	14,033	9,154	14,033	9,154
Cash at bank	269,199	1,397,576	269,199	1,397,576
Deposits at short call	13,315,767	12,989,180	13,315,767	12,989,180
	13,598,999	14,395,910	13,598,999	14,395,910
(b) Reconciliation of net profit after tax to net cash flows from operations				
Net profit after income tax	15,612,063	14,285,973	15,612,063	14,289,732
Adjustments:				
Depreciation	32,211	29,146	32,211	29,146
Amortisation	598	3,275	598	3,275
(Profit) / loss on investments sold	(110,425)	14,758	(110,425)	14,758
Impairment losses on available for sale financial ass	-	812,607	-	812,607
Changes in assets and liabilities				
(Increase)/decrease in receivables	308,358	313,111	308,358	313,111
(Increase)/decrease in prepayments	7,013	(7,013)	7,013	(7,013)
(Increase)/decrease in deferred tax assets	(20,758)	227,989	(20,758)	227,993
(Decrease)/increase in deferred tax liability	9,937,620	2,717,333	9,937,620	2,717,333
(Decrease)/increase in accounts payable	472,603	2,173,636	472,603	2,175,243
(Decrease)/increase in provisions	29,125	(750,147)	29,125	(750,147)
(Decrease)/increase in Tax Payable	(6,811,500)	-	(6,811,500)	-
Net cash from operating activities	19,456,908	19,820,668	19,456,908	19,826,038

(c) Financing facilities available

At reporting date, the following financing facility with Bendigo and Adelaide Bank had been negotiated and was available.

	Consolidated 2010	Consolidated 2009	Company 2010	Company 2009
Stand-by Australian dollar loan facility	300,000,000	20,000,000	300,000,000	20,000,000
Guarantee	250,000	250,000	250,000	250,000

(d) Non-cash financing and investing activities

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

Note 20 - 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 anytime.

	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 Owing to Bendigo and Adelaide Bank Ltd
	$	$	$
Sandhurst Trustees Ltd			
- 2010	8,648,439	12,163,789	74,238,589
- 2009	(61,129,719)	10,060,507	70,723,239
Bendigo Asset Management			
- 2010	-	-	305,521
- 2009	5,371	-	307,165

(c) The parent entity provides a standby funding facility of $300,000,000 ($20,000,000 - 2009) under normal commercial terms and conditions. The facility is unsecured.

(d) Sandhurst Trustees Limited pays the parent entity an inter-company cross-charge, on normal terms and conditions, for the provision of administrative and support services of $1,498,756 - 2010 ($2,954,185 - 2009).

(e) Sandhurst Trustees Limited purchased 17,938,337 shares from the ultimate parent entity in IOOF Holdings Ltd to the value of $72,829,648 on 29th June 2009. This transaction was conducted on an arm's length basis.

(f) Sandhurst Trustees Limited holds Investments in the Sandhurst Professional Series and Bendigo Managed funds, valued at $1,383,178 at 30th June 2010 ($1,033,003 - 2009).

(g) Sandhurst Trustees Limited holds Investments in the Sandhurst Common funds, valued at $13,315,767 at 30th June 2010 ($12,989,180 - 2009).

(h) The Parent entity provides a Guarantee of $250,000 ($250,000 - 2009) under normal commercial terms and conditions.

Note 21 - Director and executive disclosures

(a) Details of key management personnel

Jenny Dawson, *Chairman (appointed 18th September 2009)*
Ian Mansbridge, Non-executive Director
Marnie Baker, Executive Director
Anthony Baum, *Executive Director (Appointed 18th September 2009. Resigned 30 June 2010)*
Michael Hirst, *(resigned 18th September 2009)*
David Oataway, *(resigned 18th September 2009)*

Key management are employed by Bendigo and Adelaide Bank Limited and the proportion of their compensation related to services to the Company are presented in the table below.
(b) The compensation of key management personnel is as follows:

	Consolidated		**Company**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Short term benefits	247,834	340,421	247,834	340,421
Post employment benefits	10,471	37,966	10,471	37,966
Other long term benefits	4,414	7,195	4,414	7,195
Share-based payments	62,172	91,369	62,172	91,369
Total	324,890	476,951	324,890	476,951

Note 22 - 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 23 - Controlled entities

Sandhurst Trustees Limited is the parent entity of the following wholly-owned subsidiary companies (which were all incorporated in Australia):

Sandhurst Nominees (Victoria) Limited
Sandhurst Custodian Limited
Sandhurst Nominees (Canberra) Limited
Bendigo Asset Management Limited

Note 24 - Contingent liabilities and assets

Proceedings were commenced in August 2009 concerning the role of Sandhurst Trustees Limited, as debenture trustee, for failed property developer Fincorp Pty Ltd. The position of Sandhurst has been reviewed by the Bendigo and Adelaide Bank, and the bank does not believe that Sandhurst has been negligent, fraudulent or in breach of its duty. The bank does not consider the legal claim to be materially adverse and will continue to monitor its proceedings.

Estate administration

Sandhurst Trustees Limited acts as executor and trustee for a significant number of trusts and estates. In this capacity, Sandhurst Trustees Limited has incurred liabilities for which it has a right of indemnity out of the assets of those trusts and estates.

Accordingly, these liabilities are not reflected in the financial statements.

Note 25 - Subsequent events

On 9th August Bendigo and Adelaide Bank Limited announced its intention, through the signing of heads of agreement, to purchase 24 per cent of Linear Asset Management. This business will provide significant scope for growth in the banks wealth deposit financing businesses.

Note 26 - Auditors remuneration

Chief entity auditors

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

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, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 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

(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 ______________________
Marnie Baker

Dated this 20th day of September 2010

Corporate Information

Directors

Jenny Dawson Chairman
Ian Mansbridge
Marnie Baker

Joint Company Secretary

David A Oataway
Mark S Hall

Registered Office

The Bendigo Centre
BENDIGO Victoria 3550

Principal Business Address

18 View Street
BENDIGO Victoria 3550

Other Locations

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DOCKLANDS Victoria 3008
Level 6, 24 York St
SYDNEY New South Wales 2000
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Independent auditor's report to the members of Sandhurst Trustees Limited

Report on the Financial Report

We have audited the accompanying financial report of Sandhurst Trustees Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Sandhurst Trustees Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Sandhurst Trustees Limited and the consolidated entity at 30 June 2010 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 Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
20 September 2010

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

In relation to our audit of the financial report of Sandhurst Trustees Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

T M Dring
Partner
Melbourne
20 September 2010

Mindful Faithful Lasting

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