

SANDHURST TRUSTEES LIMITED

ABN 16 004 030 737

AFSL 237906

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Contents

Chairman's Report	3
Directors' Report	4
Auditor Independence Declaration	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	44
Corporate Information	45
Independent Auditor's Report	46

Chairman's report

Sandhurst Trustees continues to honour the principles of providing "Mindful, Faithful and Lasting" services to our community.

Our core services continue to be provision of:

- Corporate trustee services;
- Personal trustee services; such as will writing and administration of estates and perpetual trusts;
- Managed investment funds; and
- Superannuation funds.

In November 2014, Sandhurst farewelled Mr Les Austin who had a long association serving as a director from 2001 to 2002 when the board converted to a management board. Mr Austin became the inaugural chair of the Compliance Committee in 2003 and remained a member of the committee until his resignation.

During the year, the Board acknowledged that having served the business well, the Compliance Committee was no longer required to meet any regulatory requirement due to the current Board structure.

In March 2015, Sandhurst welcomed Mr Tony Robinson as a director of the Board. Mr Robinson is also a director of the parent entity Bendigo and Adelaide Bank Limited and has experience within the wealth industry.

Legislative and regulatory changes continue to be a key area of focus. A prudential review of the superannuation business was undertaken by the Australian Prudential Regulation Authority which provided an opportunity to ensure all aspects of regulatory compliance were being met. In line with revised regulations and recommendations from the prudential review, the Superannuation Audit Committee was disbanded and an Audit Risk & Compliance Committee constituted.

In June 2015, Sandhurst declared and paid a dividend of \$20m to its shareholder Bendigo and Adelaide Bank Limited.

During the year, the much anticipated Financial Services Inquiry report was released which contained a number of statements around the superannuation industry. Sandhurst was well positioned in the market given all products had been structure around the FoFA conditions.

Sandhurst has received or maintained a range of positive awards and ratings, including:

- Bendigo SmartStart Super's® 5 Star CANSTAR awards in 2013 were repeated in 2014 across all four superannuation categories. It was also awarded 5 Quality starts in the MySuper category by the Heron Partnership.
- The Property and Mortgage custody business achieved GS007 accreditation
- Sandhurst Strategic Income Fund consistently outperformed benchmark ending in the top quartiles, Morningstar 4 star rating, Investment grade from Lonsec and again received "A" rating by Australia Ratings
- The 10 Diversified Funds (Wholesale and Index funds) have again delivered strong performance

During the year, Ms Jenny Dawson commenced the role of Sandhurst's representative in its Trustee role for the Estate of Dr Henry Backhaus. Mr Ian Mansbridge had been representing Sandhurst since the early 1980s and the Board acknowledged his commitment and contribution in the administration of the Estate over many years.

Jenny Dawson
Chairman

Managed investment and superannuation plans named in this document are issued by Sandhurst Trustees Limited ABN 16 004 030 737 AFSL 237906. You should read the relevant product disclosure statement available at www.sandhursttrustees.com.au before deciding to invest. Total return figures are calculated before tax and after fees and costs; using withdrawal prices and assumes distributions are reinvested. Past performance is not an indication of future performance.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

The directors present the financial report of Sandhurst Trustees Limited (the Company) and its controlled entities for the year ended 30 June 2016.

Directors

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

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge	Non-executive director
Marnie Baker (resigned 15 January 2016)	Executive director
John Billington (resigned 28 September 2015)	Executive director
Antony Robinson	Non-executive director
Bruce Speirs (appointed 10 November 2015)	Executive director
Richard Baker (appointed 15 January 2016)	Executive director

Joint company secretary

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

David Oataway
Rochelle Parker

Corporate structure

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

Principal activities

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

- Responsible entity for managed investment schemes;
- Corporate trustee and custodial services provider;
- Personal trustee, estate administrator, will preparer; and
- Registrable superannuation entity licensee of superannuation funds.

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

At 30 June 2016, there were 75 (2015: 74) full time equivalent employees employed by Bendigo and Adelaide Bank Limited to undertake the above activities.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Consolidated results

Economic entity results in brief:

	2016	2015
	\$	\$
Profit before income tax	17,329,464	22,385,997
Profit after income tax	12,150,163	16,524,175

Dividends

	2016	2015
	\$	\$
Dividends paid	-	20,000,000

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

Share options

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

Significant changes in 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 \$12,150,163. This represents a decrease from the \$16,524,175 profit from ordinary activities after income tax expense for 2015. Profit from ordinary activities before income tax expense was \$17,329,464 compared to \$22,385,997 for 2015.

The movement between years is primarily due to net gains on available-for-sale investments and net gains on sale of associates which contributed to the 2015 results. Additionally litigation expenses impacted on this year's results.

Funds management and superannuation

Total funds under management for our funds management and superannuation business increased for the year to \$4.64 billion at 30 June 2016 (\$4.11 billion - 2015).

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Funds management and superannuation (cont'd.)

Funds under management summary:

	2016	2015
	\$m	\$m
Common Funds	1,757	1,623
Bendigo Managed Diversified Funds	1,230	1,006
Bendigo SmartStart Super fund	677	474
Adelaide CMT	300	292
Sandhurst Industrial Share Fund	278	299
Bendigo Superannuation Plan	150	160
Bendigo Diversified Fixed Interest Fund	128	115
Strategic Income Fund	88	106
Sandhurst Future Leaders Fund	17	17
Professional Series Product Suite	16	19

Overall, Funds management activities have grown 8% over the course of the financial year

Corporate trustee and custodial services

Revenue from corporate trustee and custodial services remained consistent with the prior year primarily due to generally depressed market conditions and lower custody fees generated by lower asset values held in corporate trust clients' managed funds.

Estate administration / will preparation

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

Significant events after balance date

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

Likely developments and expected results

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

Indemnification and insurance of officers and auditors

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Indemnification and insurance of officers and auditors (cont'd.)

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

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

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

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

Statutory trustee

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

Environmental regulation and performance

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
AUDITOR INDEPENDENCE DECLARATION

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

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

Director



Jennifer Dawson

Dated this 10 day of October 2016



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

As the auditor for the audit of Sandhurst Trustees Limited for the year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Graeme McKenzie
Partner
Melbourne
12 October 2016

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated	
		2016 \$	2015 \$
Revenues	4	39,173,981	45,032,638
Total revenue	4	<u>39,173,981</u>	<u>45,032,638</u>
Fees and commissions expense	5	(9,367,957)	(11,770,424)
Business promotion expense	5	(119,733)	(126,936)
Employee benefits expense	5	(9,051,695)	(8,320,015)
Occupancy expense	5	(35,383)	(29,053)
Property, plant & equipment costs	5	(41,571)	(47,280)
Computer systems and software costs	5	(400,097)	(546,639)
Administration expense	5	(2,222,714)	(797,109)
Share of loss on associates	5	-	(245,555)
Other expenses	5	(605,367)	(763,630)
Total expenses		<u>(21,844,517)</u>	<u>(22,646,641)</u>
Profit before income tax		<u>17,329,464</u>	<u>22,385,997</u>
Income tax expense	6	<u>5,179,301</u>	<u>5,861,822</u>
Net profit attributable to members of the parent		<u>12,150,163</u>	<u>16,524,175</u>
Other comprehensive income			
Available-for-sale financial assets			
Net fair value gains/(loss) on available-for-sale financial assets		(137,075)	(2,033,943)
Tax effect on items taken directly to or transferred from equity	6	<u>41,122</u>	<u>610,183</u>
Net gain/(loss) recognised directly in equity		<u>(95,953)</u>	<u>(1,423,760)</u>
Total comprehensive income for the period attributable to members of the parent		<u>12,054,210</u>	<u>15,100,415</u>

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated	
		2016	2015
		\$	\$
Current assets			
Cash and cash equivalents	8	14,112,428	13,475,956
Trade and other receivables	9	3,349,124	3,184,804
Total current assets		<u>17,461,552</u>	<u>16,660,760</u>
Non - current assets			
Available-for-sale financial assets	10	6,662,373	6,799,448
Trade and other receivables	9	10,090,056	65,635
Property, plant and equipment	11	2,226,768	2,238,855
Deferred tax assets	6	11,398	93,804
Total non - current assets		<u>18,990,595</u>	<u>9,197,742</u>
Total assets		<u>36,452,147</u>	<u>25,858,502</u>
Current liabilities			
Trade and other payables	13	1,999,405	3,449,563
Total current liabilities		<u>1,999,405</u>	<u>3,449,563</u>
Non - current liabilities			
Deferred tax liability	6	464,071	474,478
Total non - current liabilities		<u>464,071</u>	<u>474,478</u>
Total liabilities		<u>2,463,476</u>	<u>3,924,041</u>
Net assets		<u>33,988,671</u>	<u>21,934,461</u>
Equity			
Equity attributable to equity holders			
Contributed equity	15	5,000,000	5,000,000
Retained earnings	16	25,779,283	13,659,612
Reserves	17	3,209,388	3,274,849
Total equity		<u>33,988,671</u>	<u>21,934,461</u>

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 2016

Consolidated

	Issued Capital	Asset Revaluation reserve - Property	Asset Revaluation reserve - Shares	Operational Risk reserve	Retained earnings	Total equity
Balance at 1 July 2015	5,000,000	1,107,781	384,614	1,782,454	13,659,612	21,934,461
Other Comprehensive Income	-	-	(95,953)	-	-	(95,953)
Profit/(loss) for the period	-	-	-	-	12,150,163	12,150,163
Total Comprehensive income for the period	-	-	(95,953)	-	12,150,163	12,054,210
Increase Operational Risk Reserve	-	-	-	30,492	(30,492)	-
Dividends paid	-	-	-	-	-	-
Balance at 30 June 2016	5,000,000	1,107,781	288,661	1,812,946	25,779,283	33,988,671
Balance at 1 July 2014	5,000,000	1,107,781	1,808,374	-	18,917,891	26,834,046
Other Comprehensive Income	-	-	(1,423,760)	-	-	(1,423,760)
Profit/(loss) for the period	-	-	-	-	16,524,175	16,524,175
Total Comprehensive income for the period	-	-	(1,423,760)	-	16,524,175	15,100,415
Establish Operational Risk Reserve	-	-	-	1,782,454	(1,782,454)	-
Dividends paid	-	-	-	-	(20,000,000)	(20,000,000)
Balance at 30 June 2015	5,000,000	1,107,781	384,614	1,782,454	13,659,612	21,934,461

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated	
		2016	2015
		\$	\$
Cash flows from operating activities			
Fees and Commissions received		37,321,723	35,308,888
Payments to suppliers and employees		(21,024,406)	(19,070,169)
Income tax paid		(5,656,572)	(5,559,594)
Dividends received		305,602	980,296
Interest received		323,223	274,121
		<hr/>	<hr/>
Net cashflow from operating activities	19 (b)	11,269,570	11,933,542
Cash flows from investing activities			
Proceeds from/(Payments for) property, plant and equipment		(29,484)	(2,604)
Proceeds from/(Payments for) sale of Available-for-sale financial assets		-	16,245,199
		<hr/>	<hr/>
Net cashflow from/ (used in) investing activities		(29,484)	16,242,595
Cash flows from financing activities			
Receipt/(Repayment) of funding from parent entity		(10,603,614)	(3,142,593)
Dividends paid		-	(20,000,000)
		<hr/>	<hr/>
Net cashflow from/(used in) financing activities		(10,603,614)	(23,142,593)
Net increase/(decrease) in cash and cash equivalents held			
		636,472	5,033,544
Cash and cash equivalents at beginning of year		<hr/>	<hr/>
		13,475,956	8,442,412
Cash and cash equivalents at end of year	19 (a)	<hr/>	<hr/>
		14,112,428	13,475,956

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1 - Corporate information

The financial report of Sandhurst Trustees Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 10 October 2016.

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

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

Note 2 - Summary of significant accounting policies

(a) Basis of 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, including the application of ASIC Class Order 10/654.

ASIC Class Order 10/654 allows entities to include the parent entity financial statements as part of the consolidated financial statements if they wish to do so. Accordingly, the financial statements illustrated in this financial report do not include the separate financial statements of the parent and only include the limited disclosures required by Reg. 2M.3.01 of the *Corporations Regulations 2001*. Refer to Note 25 for parent entity financial information.

The financial report is presented in Australian dollars.

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

(b) Changes in accounting policies

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

(c) Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2016.

AASB 9 Financial Instruments introduces changes to the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard is mandatory for the 30 June 2019 financial statements. The potential effects of adoption of the standard are currently being assessed. The Group has not elected whether to early adopt this standard at this point in time.

AASB 15 Revenue from contracts with customers establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This standard is

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

effective for the 30 June 2018 financial statements. AASB 15 is not mandatory until 1 July 2017, however the IASB has deferred adoption to 1 July 2018. The AASB is also expected to make a similar amendment. The potential financial impact of the above to the Group is not yet possible to determine.

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

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

- 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11];
- 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation;
- 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality;
- 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 12].

(d) Principles of consolidation

The consolidated financial statements are the financial statements of Sandhurst Trustees Limited and all of its controlled entities. A list of controlled entities is contained in Note 22 of the financial statements.

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

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

All 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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(e) Significant accounting judgements, estimates & assumptions

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

Impairment of assets

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

Managed investment funds

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

(f) Cash and cash equivalents

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

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

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

(g) Trade and other receivables

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(h) Investments and other financial assets

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

Impairment

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

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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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:	2016	2015
<i>Asset category</i>		
Freehold buildings	40	40
Office furniture & equipment	5	5
Computer hardware	3	3
Motor vehicles	5	5

Impairment

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

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

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

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

Derecognition and disposal

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(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 responsible entity for a number of funds. The assets and liabilities of these funds are not included in the consolidated financial statements. An assessment of each fund has occurred as per AASB 10 *Consolidated Financial Statements*. Note 24 provides the relevant information regarding the unstructured entities. Commissions and fees generated by the fund management activities are brought to account on an accruals basis when earned.

(l) Accrued Expenses

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

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

(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.

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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

(n) Income tax

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

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

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

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

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

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

(o) Goods and Services Tax (GST)

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

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

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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

(p) 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.

(q) 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.

(r) Comparative figures

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

Note 3 - Financial risk management objectives and policies

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

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

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

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

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

Interest rate risk

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

Market risk

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

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

Liquidity risk

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

Credit counterparty risk

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

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position.

This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Company holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

	Consolidated	
	2016	2015
	\$	\$
Gross maximum exposure		
Cash and cash equivalents	14,112,428	13,475,956
Trade and other receivables	13,439,180	3,250,439
Available-for-sale financial assets	6,662,373	6,799,448
Total credit risk exposure	34,213,981	23,525,843

Note 4 – Revenue

	Consolidated	
	2016	2015
	\$	\$
Revenue		
- Commission and management fees received	38,461,589	38,119,539
- Interest	320,501	261,749
- Managed investment schemes distributions	305,602	980,296
Total revenue	39,087,692	39,361,584
Other income		
- Net gains on sale of available-for-sale investments	-	2,712,197
- Net gain on sale of associates	-	2,905,202
- Other income	86,289	53,655
Total other income	86,289	5,671,054
Total revenue	39,173,981	45,032,638
(a) Dividends from:		
- Managed investment schemes distributions	305,602	980,296
	305,602	980,296

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 5 – Expenses

	Consolidated	
	2016	2015
	\$	\$
Fees and Commissions paid:		
- Adviser and agency commissions	(7,959,279)	(10,620,119)
- Community Bank commissions	<u>(1,408,678)</u>	<u>(1,150,305)</u>
	<u>(9,367,957)</u>	<u>(11,770,424)</u>
Business promotion expense		
- Sponsorship	(37,894)	(45,932)
- Printing	(9,212)	(27,007)
- Promotional items	(1,551)	(273)
- Market Research	(38,750)	(21,450)
- Other	<u>(32,326)</u>	<u>(32,274)</u>
	<u>(119,733)</u>	<u>(126,936)</u>
Employee benefits expense*		
- Salaries and wages recharge	(7,105,305)	(6,540,596)
- Superannuation contributions recharge	(709,584)	(649,733)
- Provision for annual leave recharge	(611,598)	(551,730)
- Provision for long service leave recharge	(111,270)	(124,298)
- Payroll tax recharge	(421,759)	(384,802)
- Fringe benefits tax recharge	(8,861)	(6,414)
- Other recharge	<u>(83,318)</u>	<u>(62,442)</u>
	<u>(9,051,695)</u>	<u>(8,320,015)</u>
Occupancy expense		
- Rates and taxes	(24,368)	(22,643)
- Repairs and maintenance	<u>(11,015)</u>	<u>(6,410)</u>
	<u>(35,383)</u>	<u>(29,053)</u>
Property, plant and equipment costs		
- Building depreciation	(32,500)	(32,500)
- Plant and equipment depreciation	(9,071)	(14,230)
- Intangible software amortisation	-	(550)
	<u>(41,571)</u>	<u>(47,280)</u>
Computer systems and software costs		
- Computer line rental and installations	(30,258)	(29,199)
- Repairs and maintenance hardware	(8,992)	(2,872)
- Software maintenance	<u>(360,847)</u>	<u>(514,568)</u>
	<u>(400,097)</u>	<u>(546,639)</u>

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 5 – Expenses (cont'd.)

	Consolidated	
	2016	2015
	\$	\$
Administration expense		
- Legal expenses	(1,564,908)	(135,678)
- Consulting expenses	(54,224)	(46,759)
- Accounting expenses	(254,181)	(262,317)
- Stationery and office supplies	(48,936)	(52,011)
- Motor vehicle expenses	(39,868)	(34,956)
- Telephone	(42,975)	(50,256)
- Postage	(26,954)	(29,306)
- Travel expenses	(89,391)	(71,400)
- Subscriptions to associations	(88,297)	(99,365)
- Electricity, gas and fuel	(12,980)	(15,061)
	(2,222,714)	(797,109)
Share of loss on associates	-	(245,555)
Other expenses	(605,367)	(763,630)
Total expenses	(21,844,517)	(22,646,641)

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 6 – Income tax expense

	Consolidated	
	2016	2015
	\$	\$
Major components of income tax expense are:		
Statement of Comprehensive Income		
<i>Current income tax:</i>		
Current income tax charge	5,121,442	5,756,019
Adjustments in respect of current income tax of previous years	(55,261)	80,984
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	77,758	160,704
Adjustments in respect of current income tax of previous years	35,362	(135,885)
Income tax expense reported in the Statement of Comprehensive Income	5,179,301	5,861,822

Statement of Changes in Equity

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

Land and buildings	-	-
Unrealised gain of available-for-sale financial assets	(41,122)	(610,183)
Income tax expense / (benefit) reported in equity	(41,122)	(610,183)

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	
	2016	2015
	\$	\$
Income tax attributable to:		
Accounting profit before income tax	17,329,464	22,385,997
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	5,198,839	6,715,799
Under/(over) provision in prior years	(19,899)	(54,901)
Income not assessable for income tax purposes	-	(797,894)
Expenditure not allowable for income tax purposes	361	705
Other	-	(1,887)
Income tax expense reported in the consolidated Statement of Comprehensive Income	5,179,301	5,861,822

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 6 – Income tax expense (cont'd.)

	Statement of Financial Position	
	2016	2015
	\$	\$
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
<i>Deferred tax liabilities</i>		
Available-for-sale financial assets	(123,713)	(164,834)
Revaluations of land & buildings to fair value	(396,950)	(406,700)
Other	56,592	97,056
Deferred tax liabilities	(464,071)	(474,478)
 <i>Deferred tax assets</i>		
Deferred income	-	80,093
Plant & equipment	11,398	13,711
Deferred tax assets	11,398	93,804

At 30 June 2016, there is no unrecognised deferred income tax liability (2015: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 6 – Income tax expense (cont'd.)

Nature of tax funding agreement

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

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

Taxation of Financial Arrangements

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

The Bendigo and Adelaide Bank Limited tax consolidated group made a transitional election to bring pre-existing arrangements into TOFA, which will result in deferred tax balances of affected financial arrangements progressively reversing over a four year period.

Note 7 - Dividends paid and proposed

	Consolidated	
	2016	2015
	\$	\$
Total interim dividends paid		
2016: \$nil per share (2015 \$2.000)	-	20,000,000

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 8 - Cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash at bank	7,189,798	7,036,558
Deposits at short call	6,922,630	6,439,398
	14,112,428	13,475,956

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 2016 was 1.97% (2015 – 2.78%).

Note 9 - Trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
<i>Current</i>		
Sundry debtors and accrued income	3,349,124	3,184,804
<i>Non-current</i>		
Amounts receivable from ultimate parent entity	10,025,301	-
Other debtors	64,755	65,635
Total Trade and other receivables	10,090,056	65,635

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

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

Note 10 - Available-for-sale financial assets

	Consolidated	
	2016	2015
	\$	\$
<i>Non-current</i>		
Units -		
In managed investment schemes at fair value	6,662,373	6,799,448
	6,662,373	6,799,448

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

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 11 - Property, plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Total freehold land	950,000	950,000
Freehold buildings	1,300,000	1,300,000
Accumulated depreciation	(75,833)	(43,333)
Total freehold buildings	1,224,167	1,256,667
Plant and equipment at cost	313,805	284,321
Accumulated depreciation	(261,204)	(252,133)
Total plant and equipment	52,601	32,188
Total property, plant and equipment	2,226,768	2,238,855
 <i>Reconciliation</i>		
Freehold land		
Carrying amount at beginning	950,000	950,000
Revaluation increment	-	-
Carrying amount at end	950,000	950,000
Freehold buildings		
Carrying amount at beginning	1,256,667	1,289,167
Depreciation expense	(32,500)	(32,500)
Revaluation increment	-	-
Carrying amount at end	1,224,167	1,256,667
Plant and equipment		
Carrying amount at beginning	32,188	43,814
Additions	29,484	2,604
Depreciation expense	(9,071)	(14,230)
Carrying amount at end	52,601	32,188

The fair values of freehold land and buildings have been determined by reference to director valuations, based upon independent valuations obtained on 31 December 2013. 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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 12 - Intangible assets

	Consolidated	
	2016	2015
	\$	\$
Intangible software	604,055	604,055
Accumulated amortisation	(604,055)	(604,055)
Total intangible assets	-	-
<i>Reconciliation</i>		
Intangible software		
Carrying amount at beginning	-	550
Amortisation expense	-	(550)
Carrying amount at end	-	-

Note 13 - Trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade creditors and accrued expenses ^(a)	44,940	326,394
Amounts payable to ultimate parent entity ^(b)	305,521	883,834
Income tax due to parent	1,648,944	2,239,335
Total Trade and other payables	1,999,405	3,449,563

Terms and conditions:

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

Note 14 - Financial Risk Management

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

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and 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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 14 - Financial Risk Management (cont'd.)

a. Credit risk

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

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

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

None of the assets of the Group are past due (2015: 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 2016					
Trade and other payables	1,999,405	1,999,405	-	-	1,999,405
Total financial liabilities	<u>1,999,405</u>	<u>1,999,405</u>	<u>-</u>	<u>-</u>	<u>1,999,405</u>
30 June 2015					
Trade and other payables	3,449,563	3,449,563	-	-	3,449,563
Total financial liabilities	<u>3,449,563</u>	<u>3,449,563</u>	<u>-</u>	<u>-</u>	<u>3,449,563</u>

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 14 - 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 Statement of Changes In Equity.

	Consolidated	
	2016	2015
	\$	\$
Post tax profit		
+ 1% (100 Basis points)	71,898	70,366
- 1% (100 Basis points)	(71,898)	(70,366)
Equity		
+ 1% (100 Basis points)	71,898	70,366
- 1% (100 Basis points)	(71,898)	(70,366)

(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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 14 - Financial Risk Management (cont'd.)

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

The following table demonstrates a reasonably possible change in available-for-sale financial asset prices at the reporting date, with reference to benchmarking to an average of the 5 year standard deviation of the following indices; S&P/ASX 300 TR Index, MSCI World ex Australia NR Index (unhedged), UBS Composite Bond Index, Barclays Global aggregate Bond index (Unhedged). This would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015 rounded to the nearest \$1,000.

Consolidated

	Profit or loss		Equity	
	10% increase \$	10% decrease \$	10% increase \$	10% decrease \$
30 June 2016				
Available-for-sale financial assets	-	-	666,237	(666,237)
30 June 2015				
Available-for-sale financial assets	-	-	679,945	(679,945)

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 14 - 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 represent 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 2016				Year ended 30 June 2015			
	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								
Managed Investments	-	6,662,373	-	6,662,373	-	6,799,448	-	6,799,448
	-	6,662,373	-	6,662,373	-	6,799,448	-	6,799,448
Financial Liabilities								
	-	-	-	-	-	-	-	-

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 14 - Financial Risk Management (cont'd.)

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

e. Capital Management

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

Note 15 - Contributed equity

	Consolidated	
	2016	2015
	\$	\$
Issued capital		
10,000,000 ordinary shares fully paid	5,000,000	5,000,000

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

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

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

Note 16 - Retained earnings

	Consolidated	
	2016	2015
	\$	\$
<i>Movements in retained earnings were as follows:</i>		
Retained profits at the beginning of the financial year	13,659,612	18,917,891
Net profit attributable to members of the Company	12,150,163	16,524,175
Transfer to Operational Risk reserve	(30,492)	(1,782,454)
Dividends provided for or paid	-	(20,000,000)
Retained profits at the end of the financial year	25,779,283	13,659,612

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 17 – Reserves

	Consolidated	
	2016	2015
	\$	\$
Asset Revaluation Reserves	1,396,442	1,492,395
Operational Risk Reserve	1,812,946	1,782,454
Total reserves	<u>3,209,388</u>	<u>3,274,849</u>

Note 18 - Cash flow information

	Consolidated	
	2016	2015
	\$	\$

(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 at bank	7,189,798	7,036,558
Deposits at short call	6,922,630	6,439,398
	<u>14,112,428</u>	<u>13,475,956</u>

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

Net profit after income tax	12,150,163	16,524,176
<i>Adjustments:</i>		
Depreciation	41,571	46,730
Amortisation	-	550
Share of associates (profit)/loss	-	245,555
Net gains on sale of available-for-sale investments	-	(2,712,197)
Net gain on sale of equity investments	-	(2,905,202)
Tax effect on revaluations	41,122	610,183
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(163,440)	144,044
(Increase)/decrease in deferred tax assets	82,406	(82,299)
(Decrease)/increase in deferred tax liability	(10,407)	(503,068)
(Decrease)/increase in accounts payable	(14,480)	9,389
(Decrease)/increase in deferred income	(266,974)	278,270
(Decrease)/increase in tax payable	(590,391)	277,411
Net cash from operating activities	<u>11,269,570</u>	<u>11,933,542</u>

(c) Non-cash financing and investing activities

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 19 - Related party disclosures

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

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

	Receipts and fees received from Bendigo and Adelaide Bank Ltd \$	Supplies, Fixed Assets and service fees charged by Bendigo and Adelaide Bank Ltd \$	Net Amount Owing to Bendigo and Adelaide Bank Ltd \$
2016	32,625,814	21,868,960	17,215,098
2015	5,446,201	19,818,624	6,458,244
Bendigo Asset Management			
2016	-	-	305,521
2015	-	-	305,521

- (c) Sandhurst Trustees Limited holds investments in the Sandhurst Select Mortgage Fund, valued at \$6,922,630 at 30 June 2016 (\$6,439,398 - 2015).
- (d) Sandhurst Trustees Limited holds other managed fund investments in funds issued by Sandhurst Trustees Limited valued at \$6,662,372 at 30 June 2016 (\$6,799,448 - 2015).
- (e) Sandhurst Trustees Limited has received \$305,601 (\$980,296– 2015) in distributions from the managed fund investments it holds in funds issued by Sandhurst Trustees Limited.
- (f) The parent entity provides a Guarantee of \$500,000 (\$500,000 - 2015) under normal commercial terms and conditions.
- (g) The directors of Sandhurst Trustees Limited may invest in funds managed by Sandhurst Trustees from time to time. All investments are held on commercial terms and are at an arm's length basis.
- (h) The directors of Sandhurst Trustees Limited may have a loan with a mortgage fund issued by Sandhurst Trustees from time to time. All loans held are on commercial terms and are at an arm's length basis.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 20 - Director and executive disclosures

(a) Details of key management personnel

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge	Non-executive director
Marnie Baker (resigned 15 th January 2016)	Executive director
John Billington (resigned 28 th September 2015)	Executive director
Antony Robinson	Non-executive director
Richard Baker (appointed 15 th January 2016)	Executive director
Bruce Speirs (appointed 10 November 2015)	Executive Director
Paul Rohan	Head of Sandhurst Trustees Limited

(b) The compensation of key management personnel

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

Remuneration of directors is paid directly by Bendigo and Adelaide Bank Limited, the ultimate parent entity of Sandhurst Trustees Limited. The directors do not receive any remuneration directly from Sandhurst Trustees. In relation to non-executive director fees, Ms Dawson received an annual fee of \$85,000 plus superannuation of \$8,075 (FY2015: \$85,000 plus superannuation of \$8,075). Mr Mansbridge received an annual fee of \$85,000 plus superannuation of \$8,075 (FY2015: \$82,000 plus superannuation of \$7,790) and Mr Robinson received an annual fee of \$90,902 plus superannuation of \$2,598 (FY2015: \$28,973 plus superannuation of \$792).

Note 21 - Economic dependence

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

Note 22 - Controlled entities

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

- Sandhurst Nominees (Victoria) Limited
- Bendigo Asset Management Proprietary Limited

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 23 - Contingent liabilities and assets

From time to time, Sandhurst Trustees Limited may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the financial position or the performance of the Company.

A specific litigation risk exists in relation to class actions issued by Debenture holders in LKM Capital and Wickham Securities. Trials are set down for July 2017 and April 2017 respectively. The proceedings are ongoing and Sandhurst Trustees Limited is defending the allegations made against it in both class actions and has not recognised a provision in relation to this matter.

Note 23 - Contingent liabilities and assets (cont'd.)

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 on behalf of some trusts and estates in the normal course of business 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.

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 24 – Involvement in unconsolidated entities

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

Interests in unconsolidated structured entities

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

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

Risks associated with unconsolidated structured entities

The following table summarises the carrying values recognised in the balance sheet in relation to unconsolidated structured entities as of 30 June 2016:

	\$
Available-for-sale financial assets	<u>6,662,373</u>

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 24 – Involvement in unconsolidated entities (cont'd.)

Maximum exposure to loss

The maximum exposure to loss is the current carrying value of these interests representing the amortised cost at reporting date. The following table summarises the Group's maximum exposure to loss from its involvement at 30 June 2016 and 30 June 2015 with structured entities.

	Carrying amount		Maximum loss exposure	
	2016	2015	2016	2015
	\$	\$	\$	\$
Available-for-sale financial assets	6,662,373	6,799,448	6,662,373	6,799,448

Significant restrictions

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

Note 25 - Parent entity information

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

	2016	2015
	\$	\$
Financial position		
Assets		
Current assets	17,461,551	16,660,760
Non-current assets	18,990,601	9,197,748
Total assets	<u>36,452,152</u>	<u>25,858,508</u>
Liabilities		
Current liabilities	1,693,890	3,144,048
Non-current liabilities	464,071	474,478
Total liabilities	<u>2,157,961</u>	<u>3,618,526</u>
Equity		
Contributed equity	5,000,000	5,000,000
Retained earnings	26,084,803	13,965,133
Reserves	3,209,388	3,274,849
Total equity	<u>34,294,191</u>	<u>22,239,982</u>
	2016	2015
	\$	\$
Financial performance		
Revenue	39,173,981	45,032,638
Expenses	21,844,517	22,646,641
Profit for the year after tax	12,150,163	16,524,175
Other comprehensive income	(95,953)	(1,423,760)
Total comprehensive income	<u>12,054,210</u>	<u>15,100,415</u>

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 26 - Subsequent events

Since 30 June 2016 there has not been any matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Company.

Note 27 - Auditors remuneration

The auditor of Sandhurst Trustees Limited is Ernst & Young.

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

SANDHURST TRUSTEES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2016

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

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulation 2001;
- (b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director



Jennifer Dawson

Dated this 10 day of October 2016

Corporate Information

Directors

Jennifer Dawson, Chairman

Ian Mansbridge

Marnie Baker (resigned 15 January 2016)

John Billington (resigned 28 September 2015)

Antony Robinson

Bruce Speirs (appointed 10 November 2015)

Richard Baker (appointed 15 January 2016)

Joint Company Secretaries

David Oataway

Rochelle Parker

Registered Office

The Bendigo Centre

BENDIGO Victoria 3550

Principal Business Address

18 View Street

BENDIGO Victoria 3550

Other Locations

Level 5, 120 Harbour Esplanade

DOCKLANDS Victoria 3008

Level 3, 169 Pirie Street

ADELAIDE South Australia 5000

Internet Address

www.sandhursttrustees.com.au

Auditors

Ernst & Young

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

Report on the financial report

We have audited the accompanying financial report of Sandhurst Trustees Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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.

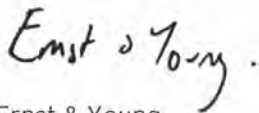
Independence

In conducting our audit we have complied with 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.

Opinion

In our opinion:

- a. 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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Graeme McKenzie
Partner
Melbourne
12 October 2016