

# **SANDHURST TRUSTEES LIMITED**

ABN 16 004 030 737

AFSL 237906

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2017**

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## Chairman's report

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

We continue to focus on providing quality wealth solutions for customers of Bendigo and Adelaide Bank designed to deliver a successful financial future through:

- Superannuation;
- Investments and funds management;
- Access to funeral bonds; and
- Corporate trustee services.

### **Sale of the Estates Business**

Since 1888 Sandhurst has provided traditional trustee company services to clients in Victoria. The estates business provided estate planning services, executor and administrator services for trusts and estates, administration of deceased estates, ongoing trusts and perpetual trusts (either as sole trustee or co-trustee) and acted as attorney, administrator and agent to administer or manage individual financial affairs.

In March 2017, the Australian Securities and Investments Commission approved an application for the sale of the estates business to Equity Trustees Limited. Equity Trustees will maintain a physical presence in Bendigo from our historical View Street offices and we were pleased to co-host an event for the Bendigo community to welcome Equity Trustees to Bendigo.

We are proud of our Estate team and the relationships we developed with the clients we have supported over many years of service in this area. We have had many wonderful staff work in this part of our business who will be sad that this part of our offering has come to an end. We thank the many clients whom we have assisted, and the many more that have nominated Sandhurst Trustees as executors of their will. These functions will now be performed by Equity Trustees, whom we are confident will continue to provide the high quality service expected of a Trustee company during what can be a difficult time.

The sale of the estates business also included the Company's involvement with ongoing perpetual estates such as the Estate of Dr Henry Backhaus This historical trust has played a significant role in the life and development of Bendigo, and we have been privileged to be such a significant part of this history.

Other perpetual trusts such as the RHS Abbott, Frances & Harold Abbott Foundation and Estate MJ Mason have also been transitioned to Equity Trustees. The Company have enjoyed our involvement in assisting each of these trusts in their goals of supporting the Bendigo community.

### **Key Highlights – Superannuation and Funds Management**

We continued to be recognised for delivering quality products and services:

- Bendigo SmartStart Super received a 5-star rating for Outstanding Value from CANSTAR\* for four years in a row
- Heron Partnership awarded Bendigo SmartStart Super their highest rating of 5 Heron Quality Stars for 2016/17, in the MySuper investment option category^.
- SuperRatings rated Bendigo SmartStart Super number one for lowest average fees payable for a \$50,000 account balance for public offer funds\*\* that anyone can join, as at 30 September 2016.
- Lonsec issued a "Recommended" rating for the Sandhurst Strategic Income Fund.

A key focus for the year has been to increase awareness of our products and services and improve the overall customer experience. This included the introduction of a new socially responsible investment fund, to meet the needs of customers who feel strongly about where their funds are being invested. This was added to the investment menu of Bendigo SmartStart Super.

The focus on the customer experience, also has seen increased investment in digital communications and the introduction of online forms, resulting in strong performance across the board. More specifically, during the 2017 financial year:

Total superannuation funds under administration broke through \$1 billion for the first time, growing by \$299.2 million. The number of member accounts increased by 18%.

- The Bendigo Managed Wholesale Funds (Active and Passive) grew by more than \$280 million.
- The Mortgage and Cash Common Funds grew by more than \$80 million (up 5%) to more than \$1.8 billion.
- Bendigo Funeral Bond (which we administer on behalf of the Australian Friendly Society) achieved the largest number of new bonds in its history with new bonds totalling over \$17 million. This is an increase of 44.7% from the previous financial year.

Thank you to our many customers and dedicated staff for the continued support of Sandhurst Trustees, as we continue our endeavour to provide quality wealth solutions.

Jenny Dawson  
Chairman

\*Visit [canstar.com.au](http://canstar.com.au) for outstanding value ratings details.

^[www.heronpartners.com.au/node/3](http://www.heronpartners.com.au/node/3)

\*\* [www.superratings.com.au/top-tens/fees](http://www.superratings.com.au/top-tens/fees)

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 2017.

**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
Antony Robinson	Non-executive director
Bruce Speirs	Executive director
Richard Baker	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.

On 31 March 2017 Sandhurst Trustees Limited sold its estates business to Equity Trustees Wealth Services Limited, a subsidiary of Equity Trustees.

The estates business which has been sold provided services in:

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

Equity Trustees will serve clients from the current Sandhurst Trustees address at 18 View Street, Bendigo.

At 30 June 2017, there were 68 (2016: 75) 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:

	2017	2016
	\$	\$
Profit before income tax	19,483,806	17,329,464
Profit after income tax	13,737,224	12,150,163

**Dividends**

	2017	2016
	\$	\$
Dividends paid	-	-

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 \$13,737,224. This represents an increase from the \$12,150,163 profit from ordinary activities after income tax expense for 2016. Profit from ordinary activities before income tax expense was \$19,483,806 compared to \$17,329,464 for 2016.

***Funds management and superannuation***

Total funds under management for our funds management and superannuation business increased for the year to \$5.29 billion at 30 June 2017 (\$4.64 billion - 2016).

SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
DIRECTORS' REPORT

***Funds management and superannuation (cont'd.)***

Funds under management summary:

	2017	2016
	\$m	\$m
Common Funds	1,822	1,757
Diversified Funds	1,505	1,230
Adelaide CMT	325	300
Industrial Share Funds	292	278
Bendigo Superannuation Plan	1129	827
Bendigo Diversified Fixed Interest Fund	113	128
Strategic Income Fund	80	88
Sandhurst Future Leaders Fund	18	17
Professional Series Product Suite	-	8
Bendigo Global Share Fund	5	8
Socially Responsible Growth Fund	6	-

Overall, Funds management activities have grown 14% 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.

***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  
DIRECTORS' REPORT

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

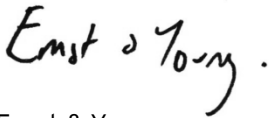
Dated this 16 day of October 2017



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

As lead auditor for the audit of Sandhurst Trustees Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Graeme McKenzie  
Partner  
Melbourne  
16 October 2017

SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017 \$	2016 \$
Revenues	4	40,058,098	39,777,992
Other income	4	4,619,323	170,284
<b>Total revenue</b>		<u>44,677,421</u>	<u>39,948,276</u>
Fees and commissions	5	9,366,538	10,122,207
Staff and related costs	5	7,788,402	9,058,826
Other operating expense	5	8,038,675	3,437,779
<b>Total expenses</b>		<u>25,193,615</u>	<u>22,618,812</u>
<b>Profit before income tax</b>		<u>19,483,806</u>	<u>17,329,464</u>
Income tax expense	6	5,746,582	5,179,301
<b>Net profit attributable to members of the parent</b>		<u>13,737,224</u>	<u>12,150,163</u>
<b>Other comprehensive income</b>			
<b>Available-for-sale financial assets</b>			
Net fair value gains/(loss) on available-for-sale financial assets		360,947	(137,075)
Tax effect on items taken directly to or transferred from equity	6	(108,285)	41,122
<b>Net gain/(loss) recognised directly in equity</b>		252,662	(95,953)
<b>Total comprehensive income for the period attributable to members of the parent</b>		<u>13,989,886</u>	<u>12,054,210</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 2017

	Note	Consolidated	
		2017	2016
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	8	18,067,227	14,112,428
Trade and other receivables	9	3,176,941	3,349,124
<b>Total current assets</b>		<u>21,244,168</u>	<u>17,461,552</u>
<b>Non - current assets</b>			
Available-for-sale financial assets	10	8,798,155	6,662,373
Trade and other receivables	9	17,958,850	10,090,056
Property, plant and equipment	11	2,445,423	2,226,768
Deferred tax assets	6	4,497	11,398
<b>Total non - current assets</b>		<u>29,206,925</u>	<u>18,990,595</u>
<b>Total assets</b>		<u>50,451,093</u>	<u>36,452,147</u>
<b>Current liabilities</b>			
Trade and other payables	13	1,882,026	1,999,405
<b>Total current liabilities</b>		<u>1,882,026</u>	<u>1,999,405</u>
<b>Non - current liabilities</b>			
Deferred tax liability	6	590,510	464,071
<b>Total non - current liabilities</b>		<u>590,510</u>	<u>464,071</u>
<b>Total liabilities</b>		<u>2,472,536</u>	<u>2,463,476</u>
<b>Net assets</b>		<u>47,978,557</u>	<u>33,988,671</u>
<b>Equity</b>			
<b>Equity attributable to equity holders</b>			
Contributed equity	15	5,000,000	5,000,000
Retained earnings	16	39,516,507	25,779,283
Reserves	17	3,462,050	3,209,388
<b>Total equity</b>		<u>47,978,557</u>	<u>33,988,671</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 2017

	Issued Capital	Asset Revaluation reserve - Property	Asset Revaluation reserve - Units	Operational Risk reserve	Retained earnings	Total equity
Balance at 1 July 2016	5,000,000	1,107,781	288,661	1,812,946	25,779,283	33,988,671
Other Comprehensive Income	-	157,615	95,047	-	-	252,662
Profit/(loss) for the period	-	-	-	-	13,737,224	13,737,224
Total Comprehensive income for the period	-	157,615	95,047	-	13,737,224	13,989,886
Increase Operational Risk Reserve	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance at 30 June 2017	5,000,000	1,265,396	383,708	1,812,946	39,516,507	47,978,557
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

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 2017

	Note	Consolidated	
		2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Fees and Commissions received		39,783,610	37,321,723
Payments to suppliers and employees		(25,374,214)	(21,024,406)
Income tax paid		(5,674,932)	(5,656,572)
Dividends received		252,624	305,602
Interest received		247,007	323,223
Proceeds from sale of estates business		<u>5,000,000</u>	-
<b>Net cashflow from operating activities</b>	18 (b)	<u>14,234,095</u>	<u>11,269,570</u>
<b>Cash flows from investing activities</b>			
Proceeds from/(Payments for) property, plant and equipment		(40,226)	(29,484)
Proceeds from/(Payments for) sale of Available-for-sale financial assets		<u>(2,000,000)</u>	-
<b>Net cashflow from/ (used in) investing activities</b>		<u>(2,040,226)</u>	<u>(29,484)</u>
<b>Cash flows from financing activities</b>			
Receipt/(Repayment) of funding from parent entity		<u>(8,239,070)</u>	<u>(10,603,614)</u>
<b>Net cashflow from/(used in) financing activities</b>		<u>(8,239,070)</u>	<u>(10,603,614)</u>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		3,954,799	636,472
Cash and cash equivalents at beginning of year		<u>14,112,428</u>	<u>13,475,956</u>
<b>Cash and cash equivalents at end of year</b>	18 (a)	<u>18,067,227</u>	<u>14,112,428</u>

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 2017

**Note 1 - Corporate information**

The financial report of Sandhurst Trustees Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 16 October 2017.

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 2017.

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 Group has an established AASB 9 program involving finance and risk functions across the Group. The program is in the process of developing and testing required models and assessing the impacts of the standard, and as such is not yet able to reasonably estimate the impact on its financial statements.

SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

AASB 15 Revenue from contracts with customers establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cashflows arising from customer contracts. This standard is effective for the 30 June 2019 financial statements. The Group doesn't expect that a significant portion of the group's revenue will be impacted by this standard and is currently in the process of assessing the impacts and as such is not yet in a position to reliably estimate the impact to the financial statements.

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

- 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 12];
- 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107;
- 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]; and
- 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 12, AASB 128 and AASB 140].
- 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle [AASB 12 and AASB 5].

**(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.

**(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:

SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

**(e) Significant accounting judgements, estimates & assumptions (cont'd.)**

*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 2017

**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.

SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

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

**(i) Property, plant and equipment (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:	2017	2016
<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.

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**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.

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**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.

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

**(o) Goods and Services Tax (GST) (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.

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**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.

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**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	
	2017	2016
	\$	\$
<b>Gross maximum exposure</b>		
Cash and cash equivalents	18,067,227	14,112,428
Trade and other receivables	21,135,791	13,439,180
Available-for-sale financial assets	8,798,155	6,662,373
Total credit risk exposure	48,001,173	34,213,981

**Note 4 – Revenue**

	Consolidated	
	2017	2016
	\$	\$
Revenue:		
- Commission and management fees received	39,554,920	39,140,492
- Interest	250,554	331,898
- Managed investment schemes distributions	252,624	305,602
Total revenue	40,058,098	39,777,992
Other income:		
- Net gain on sale of estates business*	3,881,437	-
- Other income	737,886	170,284
Total other income	4,619,323	170,284
<b>Total revenue</b>	44,677,421	39,948,276

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

The estates business which has been sold provided services in:

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

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**Note 5 – Expenses**

	Consolidated	
	2017	2016
	\$	\$
Fees and commissions:		
- Adviser and agency commissions	7,581,243	8,713,529
- Community Bank commissions	1,785,295	1,408,678
	9,366,538	10,122,207
Staff and related costs:*		
- Salaries and wages recharge	6,637,991	7,753,041
- Superannuation contributions recharge	629,931	709,585
- Payroll costs recharge	408,261	466,241
- Other recharge	112,219	129,959
	7,788,402	9,058,826
Other operating expenses:		
- Communications, postage and stationery expense	175,431	156,973
- Marketing and sponsorship	241,072	116,569
- Legal expense	6,472,218	1,566,129
- Occupancy expense	144,981	106,760
- Depreciation expense	46,658	41,911
- Computer systems and software costs	297,337	403,262
- Accounting expenses	107,015	254,181
- Travel expenses	108,957	89,371
- Directors fees	217,765	175,566
- Other	227,241	527,057
	8,038,675	3,437,779
<b>Total expenses</b>	25,193,615	22,618,812

\*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.



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**Note 6 – Income tax expense**

	Consolidated	
	2017	2016
	\$	\$
<b>Major components of income tax expense are:</b>		
<b>Statement of Comprehensive Income</b>		
<i>Current income tax:</i>		
Current income tax charge	5,550,249	5,121,442
Adjustments in respect of current income tax of previous years	171,275	(55,261)
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	8,603	77,758
Adjustments in respect of current income tax of previous years	16,455	35,362
<b>Income tax expense reported in the Statement of Comprehensive Income</b>	<b>5,746,582</b>	<b>5,179,301</b>
<b>Statement of Changes in Equity</b>		
<i>Deferred income tax related to items charged or credited directly in equity</i>		
Land and buildings	67,549	-
Unrealised gain of available-for-sale financial assets	40,736	(41,122)
<b>Income tax expense / (benefit) reported in equity</b>	<b>108,285</b>	<b>(41,122)</b>

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	
	2017	2016
	\$	\$
<b>Income tax attributable to:</b>		
Accounting profit before income tax	19,483,806	17,329,464
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	5,845,141	5,198,839
Under/(over) provision in prior years	187,730	(19,899)
Expenditure not allowable for income tax purposes	367	361
Other non assessable income	(286,656)	-
<b>Income tax expense reported in the consolidated Statement of Comprehensive Income</b>	<b>5,746,582</b>	<b>5,179,301</b>

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

	<b>Statement of Financial Position</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred income tax</b>		
Deferred income tax at 30 June relates to the following:		
<b>Consolidated</b>		
<i>Deferred tax liabilities</i>		
Available-for-sale financial assets	(164,447)	(123,713)
Revaluations of land & buildings to fair value	(455,120)	(396,950)
Plant, furniture, fittings, office equipment & vehicles	8,551	-
Other	20,506	56,592
<b>Deferred tax liabilities</b>	<b>(590,510)</b>	<b>(464,071)</b>
 <i>Deferred tax assets</i>		
Plant & equipment	2,451	11,398
Other	2,046	-
<b>Deferred tax assets</b>	<b>4,497</b>	<b>11,398</b>

At 30 June 2017, there is no unrecognised deferred income tax liability (2016: 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.

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**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	
	2017	2016
Total interim dividends paid	\$	\$
2017: \$nil per share (2016 \$0.000)	-	-

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

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**Note 8 - Cash and cash equivalents**

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	12,750,263	7,189,798
Deposits at short call	5,316,964	6,922,630
	18,067,227	14,112,428

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 2017 was 1.45% (2016 – 1.97%).

**Note 9 - Trade and other receivables**

	Consolidated	
	2017	2016
	\$	\$
<i>Current</i>		
Sundry debtors and accrued income	3,176,941	3,349,124
<i>Non-current</i>		
Amounts receivable from ultimate parent entity	17,958,850	10,025,301
Other debtors	-	64,755
<b>Total Trade and other receivables</b>	17,958,850	10,090,056

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	
	2017	2016
	\$	\$
<i>Non-current</i>		
Units -		
In managed investment schemes at fair value	8,798,155	6,662,373
	8,798,155	6,662,373

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 unit prices.

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**Note 11 - Property, plant and equipment**

	Consolidated	
	2017	2016
	\$	\$
<b>Total freehold land</b>	1,250,000	950,000
Freehold buildings	1,125,000	1,300,000
Accumulated depreciation	(6,935)	(75,833)
<b>Total freehold buildings</b>	1,118,065	1,224,167
Plant and equipment at cost	335,652	313,805
Accumulated depreciation	(258,294)	(261,204)
<b>Total plant and equipment</b>	77,358	52,601
 <b>Total property, plant and equipment</b>	 2,445,423	 2,226,768
 <b>Reconciliation</b>		
Freehold land		
Carrying amount at beginning	950,000	950,000
Revaluation increment	300,000	-
<b>Carrying amount at end</b>	1,250,000	950,000
Freehold buildings		
Carrying amount at beginning	1,224,167	1,256,667
Depreciation expense	(31,265)	(32,500)
Revaluation increment	(74,836)	-
<b>Carrying amount at end</b>	1,118,065	1,224,167
Plant and equipment		
Carrying amount at beginning	52,601	32,188
Additions	45,857	29,484
Disposals	(6,380)	-
Depreciation expense	(14,720)	(9,071)
<b>Carrying amount at end</b>	77,358	52,601

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

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**Note 12 - Intangible assets**

	Consolidated	
	2017	2016
	\$	\$
Intangible software	604,055	604,055
Accumulated amortisation	(604,055)	(604,055)
<b>Total intangible assets</b>	-	-
<i>Reconciliation</i>		
Intangible software		
Carrying amount at beginning	-	-
Amortisation expense	-	-
<b>Carrying amount at end</b>	-	-

**Note 13 - Trade and other payables**

	Consolidated	
	2017	2016
	\$	\$
Trade creditors and accrued expenses <sup>(a)</sup>	186,487	44,940
Amounts payable to ultimate parent entity <sup>(b)</sup>	-	305,521
Income tax due to parent	1,695,539	1,648,944
<b>Total Trade and other payables</b>	1,882,026	1,999,405

Terms and conditions:

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

**Note 14 - Financial Risk Management**

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

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

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

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**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 (2016: 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 \$	1 year or less \$	1 to 5 years \$	more than 5 years \$	Total \$
<b>30 June 2017</b>					
Trade and other payables	1,882,026	1,882,026	-	-	1,882,026
Total financial liabilities	<u>1,882,026</u>	<u>1,882,026</u>	<u>-</u>	<u>-</u>	<u>1,882,026</u>
<b>30 June 2016</b>					
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>

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**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.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Post tax profit</b>		
+ 1% (100 Basis points)	127,503	71,898
- 1% (100 Basis points)	(127,503)	(71,898)
<b>Equity</b>		
+ 1% (100 Basis points)	127,503	71,898
- 1% (100 Basis points)	(127,503)	(71,898)

**(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.



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**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 2016.

**Consolidated**

	Profit or loss		Equity	
	10% increase \$	10% decrease \$	10% increase \$	10% decrease \$
<b>30 June 2017</b>				
Available-for-sale financial assets	-	-	879,816	(879,816)
<b>30 June 2016</b>				
Available-for-sale financial assets	-	-	666,237	(666,237)

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**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 2017				Year ended 30 June 2016			
	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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>								
<b>Financial assets</b>								
Available-for-sale investments								
Managed Investments	-	8,798,155	-	8,798,155	-	6,662,373	-	6,662,373
	-	8,798,155	-	8,798,155	-	6,662,373	-	6,662,373

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**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	
	2017	2016
	\$	\$
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	
	2017	2016
	\$	\$
<i>Movements in retained earnings were as follows:</i>		
Retained profits at the beginning of the financial year	25,779,283	13,659,612
Net profit attributable to members of the Company	13,737,224	12,150,163
Transfer to Operational Risk reserve	-	(30,492)
<b>Retained profits at the end of the financial year</b>	<b>39,516,507</b>	<b>25,779,283</b>

SANDHURST TRUSTEES LIMITED  
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**Note 17 – Reserves**

	Consolidated	
	2017	2016
	\$	\$
Asset Revaluation Reserves	1,649,104	1,396,442
Operational Risk Reserve	1,812,946	1,812,946
<b>Total reserves</b>	3,462,050	3,209,388

**Note 18 - Cash flow information**

	Consolidated	
	2017	2016
	\$	\$

**(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	12,750,263	7,189,798
Deposits at short call	5,316,964	6,922,630
	18,067,227	14,112,428

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

Net profit after income tax	13,737,224	12,150,163
<i>Adjustments:</i>		
Depreciation	45,985	41,571
Property, plant and equipment (profit)/loss	751	-
Tax effect on revaluations	(108,285)	41,122
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	236,937	(163,440)
(Increase)/decrease in deferred tax assets	6,901	82,406
(Decrease)/increase in deferred tax liability	126,439	(10,407)
(Decrease)/increase in accounts payable	141,547	(14,480)
(Decrease)/increase in deferred income	-	(266,974)
(Decrease)/increase in tax payable	46,595	(590,391)
Net cash from operating activities	14,234,095	11,269,570

**(c) Non-cash financing and investing activities**

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

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**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/receivable in connection with the payment of administration costs on behalf of the Group. The loan/receivable 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/from Bendigo and Adelaide Bank Ltd \$
2017	44,177,325	30,494,959	30,897,464
2016	32,625,814	21,868,960	17,215,098
Bendigo Asset Management			
2017	-	-	-
2016	-	-	305,521

- (c) Sandhurst Trustees Limited holds investments in the Sandhurst Select Mortgage Fund, valued at \$5,316,964 at 30 June 2017 (\$6,922,630 - 2016).
- (d) Sandhurst Trustees Limited holds other managed fund investments in funds issued by Sandhurst Trustees Limited valued at \$8,798,155 at 30 June 2016 (\$6,662,373- 2016).
- (e) Sandhurst Trustees Limited has received \$252,624 (\$305,602 – 2016) 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 - 2016) 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  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**Note 20 - Director and executive disclosures**

(a) Details of key management personnel

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge	Non-executive director
Antony Robinson	Non-executive director
Bruce Speirs	Executive director
Richard Baker	Executive director

(b) The compensation of key management personnel

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

Remuneration of directors is paid directly by Bendigo and Adelaide Bank Limited, the ultimate parent entity of Sandhurst Trustees Limited. The directors do not receive any remuneration directly from Sandhurst Trustees. In relation to non-executive director fees, Ms Dawson received an annual fee of \$85,000 plus superannuation of \$8,075 (FY2016: \$85,000 plus superannuation of \$8,075). Mr Mansbridge received an annual fee of \$82,000 plus superannuation of \$7,790 (FY2016: \$82,000 plus superannuation of \$7,790) and Mr Robinson received an annual fee of \$54,795 plus superannuation of \$5,205 (FY2016: \$90,902 plus superannuation of \$2,598).

**Note 21 - Economic dependence**

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

**Note 22 - Controlled entities**

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

**Note 23 - Contingent liabilities and assets**

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

A specific litigation risk exists in relation to class actions issued by Debenture holders in LKM Capital, Wickham Securities and GR Finance. The proceedings are ongoing and Sandhurst Trustees Limited is defending the allegations made against it in all class actions and has not recognised a provision in relation to any potential compensation to the plaintiffs for these matters.

SANDHURST TRUSTEES LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**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 2017:

	\$
Available-for-sale financial assets	<u>14,115,119</u>

SANDHURST TRUSTEES LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**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 2017 and 30 June 2016 with structured entities.

	Carrying amount		Maximum loss exposure	
	2017	2016	2017	2016
	\$	\$	\$	\$
Available-for-sale financial assets	14,115,119	13,585,003	14,115,119	13,585,003

*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.



SANDHURST TRUSTEES LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**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.

	2017	2016
	\$	\$
<b>Financial position</b>		
<b>Assets</b>		
Current assets	21,244,168	17,461,551
Non-current assets	29,206,925	18,990,601
<b>Total assets</b>	50,451,093	36,452,152
<b>Liabilities</b>		
Current liabilities	1,882,026	1,693,890
Non-current liabilities	590,510	464,071
<b>Total liabilities</b>	2,472,536	2,157,961
<b>Equity</b>		
Contributed equity	5,000,000	5,000,000
Retained earnings	39,516,507	26,084,803
Reserves	3,462,050	3,209,388
<b>Total equity</b>	47,978,557	34,294,191
	2017	2016
	\$	\$
<b>Financial performance</b>		
Revenue	44,677,421	39,173,981
Expenses	25,499,134	21,844,517
Profit for the year after tax	13,431,705	12,150,163
Other comprehensive income	252,662	(95,953)
<b>Total comprehensive income</b>	13,684,367	12,054,210

**Note 26 - Subsequent events**

Since 30 June 2017 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  
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DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2017

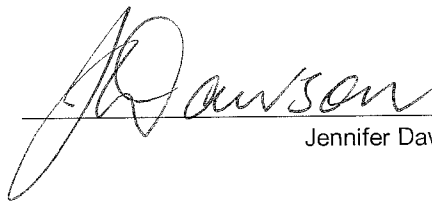
In accordance with a resolution of the directors of Sandhurst Trustees Limited, I state that:

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 2017 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 16 day of October 2017

## **Corporate Information**

### **Directors**

Jennifer Dawson	Chairman, Non-executive director
Ian Mansbridge	Non-executive director
Antony Robinson	Non-executive director
Bruce Speirs	Executive director
Richard Baker	Executive director

### **Joint Company Secretaries**

David Oataway  
Rochelle Parker

### **Registered Office**

The Bendigo Centre  
22-44 Bath Lane  
BENDIGO Victoria 3550

### **Principal Business Address**

The Bendigo Centre  
22-44 Bath Lane  
BENDIGO Victoria 3550

### **Other Locations**

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

### **Internet Address**

[www.sandhursttrustees.com.au](http://www.sandhursttrustees.com.au)

### **Auditors**

Ernst & Young

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

### Opinion

We have audited the accompanying financial report of Sandhurst Trustees Limited (the "Company"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the 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.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Act 2001*.

### Basis for Opinion

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

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

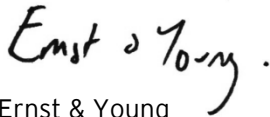
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Ernst & Young



Graeme McKenzie  
Partner  
Melbourne  
16 October 2017