Sandhurst Trustees Limited

ABN 16 004 030 737

AFSL 237906

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 2019

CONTENTS

The directors present the financial report of Sandhurst Trustees Limited (the Company) and its controlled entities for the year ended 30 June 2019.

Directors

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

Jennifer Dawson	Chairman, Non-executive director
Richard Baker	Non-executive director
Deborah Radford (Appointed 23 July 2019)	Non-executive director
Paul Rohan (Appointed 2 October 2018)	Executive director
Ian Mansbridge (Retired 23 July 2018)	Non-executive director
Bruce Speirs (Resigned 27 September 2018)	Executive director
Antony Robinson (Resigned 23 July 2019)	Non-executive director

The names of the company secretaries at the end of the financial year are:
Rochelle Parker
Will Conlan

Corporate structure

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

Principal activities

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

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

At 30 June 2019, there were 79 (2018: 71) full time equivalent employees employed by Bendigo and Adelaide Bank Limited to undertake the above activities.

Operating Results

Economic entity results in brief:	2019 $	2018 $
Profit before income tax	25,134,626	5,311,578
Profit after income tax	17,609,751	3,723,405

Dividends

There were no further dividends proposed or declared (2018: nil) before the financial statements were authorised for issue.

Share options

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

Significant changes in the state of affairs

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

Review of operations

The economic entity achieved a profit after income tax expense of $17,609,751. This represents an increase from the $3,723,405 profit from ordinary activities after income tax expense for 2018. Profit before income tax expense was $25,134,626 compared to $5,311,578 for 2018.

Funds management and superannuation

Total funds under management for our funds management and superannuation business increased for the year to $6.57 billion at 30 June 2019 ($5.81 billion - 2018).

Funds management and superannuation (cont'd.)

Funds under management summary:	2019 $m	2018 $m
Income and Mortgage Funds (formerly Common Funds)	2,339	2,011
Diversified Funds	2,030	1,777
Bendigo SmartStart Super	1,389	1,187
Adelaide CMT	197	187
Sandhurst Industrial Share Fund	259	271
Bendigo SmartOptions Super	136	149
Bendigo Diversified Fixed Interest Fund	87	103
Sandhurst Strategic Income Fund	104	94
Sandhurst Future Leaders Fund	17	18
Bendigo Global Share Fund	5	5
Bendigo Socially Responsible Growth Fund	16	11

Overall, Funds management activities have grown by approximately 13% over the course of the financial year

Corporate trustee and custodial services

Revenue from corporate trustee and custodial services increased by approximately 8% during the financial year.

Significant events after the balance date

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

Likely developments and expected results

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

Indemnification and insurance of officers and auditors

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

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

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

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

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

Statutory trustee

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

Environmental regulation and performance

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

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

Jenny Dawson

Jennifer Dawson

Date: 28 October 2019

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

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

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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 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
28 October 2019

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 $	2018 $
Revenue			
Revenues	4	42,733,702	41,131,768
Other income	4	65,115	57,687
Total revenue		42,798,817	41,189,455
Expenses			
Fees and commissions	5	8,464,653	9,036,223
Staff and related costs	5	7,504,372	7,389,712
Other operating expense	5	1,695,166	19,451,942
Total expenses		17,664,191	35,877,877
Profit before income tax		25,134,626	5,311,578
Income tax expense	6	7,524,875	1,588,173
Profit after income tax		17,609,751	3,723,405
Other comprehensive income			
Revaluation gain on debt instruments at fair value through other comprehensive income		113,311	-
Net fair value gains/(loss) on available-for-sale financial assets		-	150,526
Tax effect on items taken directly to or transferred from equity		(33,994)	(45,158)
Net gain/(loss) recognised directly in equity		79,317	105,368
Total comprehensive income for the year		17,689,068	3,828,773

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

SANDHURST TRUSTEES LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	2019 $	2018 $
Current assets			
Cash and cash equivalents	7	9,192,123	17,055,930
Trade and other receivables	8	14,277,396	29,159,981
Total current assets		23,469,519	46,215,911
Non current assets			
Financial Assets - Amortised Cost	9	6,215,223	-
Available-for-sale financial assets	10	-	8,948,680
Financial assets fair value through other comprehensive income (FVOCI)	11	9,061,992	-
Trade and other receivables	8	28,846,318	34,357,825
Property, plant and equipment	12	2,380,722	2,427,530
Deferred tax assets	6	37,442	3,367,463
Total non current assets		46,541,697	49,101,498
Total assets		70,011,216	95,317,409
Current liabilities			
Trade and other payables	13	(115,759)	42,903,354
Total current liabilities		(115,759)	42,903,354
Non current liabilities			
Deferred tax liability	6	655,123	630,416
Total non current liabilities		655,123	630,416
Total liabilities		539,364	43,533,770
Net assets		69,471,852	51,783,639
Equity			
Contributed equity	15	5,000,000	5,000,000
Retained earnings	16	58,757,680	41,779,962
Reserves	17	5,714,172	5,003,677
Total Equity		69,471,852	51,783,639

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 2019

	Issued Capital $	Asset Revaluation Reserve - Property $	Asset Revaluation Reserve - Units $	Operational Risk Reserve $	Retained Earnings $	Total $
At 1 July 2018	5,000,000	1,265,396	489,076	3,249,205	41,779,962	51,783,639
Other Comprehensive Income	-	-	79,317	-	-	79,317
Profit/(loss) for the period	-	-	-	-	17,609,751	17,609,751
Total Comprehensive income for the period	-	-	79,317	-	17,609,751	17,689,068
Increase Operational Risk Reserve	-	-	-	631,178	(632,033)	(855)
At 30 June 2019	5,000,000	1,265,396	568,393	3,880,383	58,757,680	69,471,852
At 1 July 2017	5,000,000	1,265,396	383,708	1,812,946	39,516,507	47,978,557
Other Comprehensive Income	-	-	105,368	-	-	105,368
Profit/(loss) for the period	-	-	-	-	3,723,405	3,723,405
Total Comprehensive income for the period	-	-	105,368	-	3,723,405	3,828,773
Increase Operational Risk Reserve	-	-	-	1,436,259	(1,459,950)	(23,691)
At 30 June 2018	5,000,000	1,265,396	489,076	3,249,205	41,779,962	51,783,639

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 2019

	NOTE	2019 $	2018 $
Cash flows from operating activities			
Fees and Commissions received		30,468,977	40,473,532
Payments to suppliers and employees		(31,968,924)	(19,883,503)
Income tax paid		(6,242,077)	(5,710,318)
Dividends received		313,218	327,528
Interest received		269,571	233,878
Net cash flows from/(used in) operating activities	18 (b)	(7,159,235)	15,441,117
Cash flows from investing activities			
Proceeds from/(Payments for) property, plant and equipment		-	(29,748)
Proceeds from/(Payments for) sale of Financial assets fair value through other comprehensive income (FVOCI)		(6,215,223)	-
Net cashflow from/ (used in) investing activities		(6,215,223)	(29,748)
Cash flows from financing activities			
Receipt/(Repayment) of funding from parent entity		5,511,506	(16,398,975)
Transfers from operational risk reserve for loss event		(855)	(23,691)
Net cashflow from/(used in) financing activities		5,510,651	(16,422,666)
Net increase in cash and cash equivalents		(7,863,807)	(1,011,297)
Cash and cash equivalents at the beginning of the year		17,055,930	18,067,227
Cash and cash equivalents at the end of the year	18 (a)	9,192,123	17,055,930

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

Note 1 - Corporate Information

The financial report of Sandhurst Trustees Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 28 October 2019.

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

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

Note 2 - Summary of significant accounting policies

(a) Basis of accounting

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

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

The financial report is presented in Australian dollars.

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

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

(b) Changes in accounting policies

As of 1 July 2018, the Company has initially adopted AASB 9 Financial Instruments, the applicable amendments to AASB 9 Financial Instruments: Disclosures and AASB 15 Revenue from Contracts with Customers. The nature and effect of the key changes as a result of the adoption of these new accounting standards has been described below.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities and some contracts to buy or sell non-financial items. This standard replaced AASB 139 Financial Instruments: Recognition and Measurement. The requirements of AASB 9 represent a significant change from AASB 139. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

In accordance with the transition requirements, the 30 June 2018 comparatives have not been restated, and the requirements of AASB 139 Financial Instruments: Recognition and Measurement were applied.

(a) Classification and measurement

Financial Assets

From 1 July 2018 financial assets are classified into the following measurement categories:

> Fair value through profit or loss (FVPL)

> Fair value through other comprehensive income (FVOCI)

> Amortised cost

The measurement basis adopted depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The assessment of the Company's business model was made as of the date of initial application, being 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following further summarises the key changes made to the classification and measurement of the Company's financial assets:

> The 'Financial assets available for sale' and 'Financial assets held to maturity' categories have been removed.

> A new asset category for debt instruments measured at fair value through other comprehensive income (FVOCI) was introduced. This new category applies to debt securities with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Changes in fair value are recognised directly in equity. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

> A new asset category was introduced for equity instruments that are not held for trading. Where an irrevocable election has been made by management the financial asset is measured at fair value through other comprehensive income (FVOCI). Upon disposal amounts previously recognised in other comprehensive income are unable to be transferred to the income statement. A significant portion of the Company's available for sale equity instruments were classified in this category.

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

Financial Liabilities

Classification of financial liabilities remains unchanged for the Company. Financial liabilities continue to be measured at either amortised cost or fair value through profit or loss.

For a detailed explanation of how the Company classifies financial liabilities under AASB 9 refer to the Company's financial liability notes.

The following table summarises the impact on classification and measurement of the Company's financial assets on 1 July 2018:

Balance sheet category	Original measurement category under AASB 139	New measurement category under AASB 9	As at 1 July 2018 Carrying amount per AASB 139 Company $m	As at 1 July 2018 Carrying amount per AASB 9 Company $m
Financial assets				
Cash and cash equivalents	Amortised cost	Amortised cost	11,291,025	11,291,025
Financial Assets - Amortised Cost	Amortised cost	Amortised cost	5,764,905	5,764,905
Financial assets available for sale (equity)	Fair value through reserves	Fair value through other comprehensive income (with recycling)	8,948,680	8,948,680

The following table is a reconciliation of the carrying amount in the balance sheet from AASB 139 to AASB 9 as at 1 July 2018:

Company	AASB 139 carrying amount as at 30 June 2018 $m	Re-classification $m	Re-measurement $m	AASB 9 carrying amount as at 1 July 2018 $m
Cash and cash equivalents	17,055,930	(5,764,905)	-	11,291,025
Financial Assets - Amortised Cost	-	5,764,905		5,764,905
Financial assets available for sale	8,948,680	(8,948,680)	-	-
Financial assets fair value through other comprehensive income (with recycling)	-	8,948,680	-	8,948,680

There has been no material impact on the accounts on the adoption of this standard.

AASB 15 Revenue from Contracts with Customers

AASB 15 redefines the principles for recognising revenue and is applicable to all contracts with customers other than contracts within the scope of other standards including interest, fee and dividend income integral to financial instruments within the scope of AASB 9 and lease income within the scope of AASB 16.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration relevant facts and circumstances when applying each step of the model to contracts with their customers. An assessment has been undertaken for the Company, concentrating on the management fee and commission income. This assessment has determined that there would be no material impact from the changes outlined in AASB 15 and as such no restatements or alteration to accounting for these income streams have been made.

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

(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 2019.

AASB 16 Leases replaces AASB 117 Leases and is effective for annual reporting periods beginning on or after 1 January 2019, hence the Company will adopt the standard from 1 July 2019. The new standard requires all lease to be recognised on-balance sheet except for leases with a term of less than 12 months and leases of low-value assets. The Company has no lease agreements and there will be no material impact from the implementation of this standard.

(d) Principles of consolidation

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

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

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

All intercompany balances and transactions between entities in the Group have been eliminated on consolidation.

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

(e) Significant accounting judgements, estimates & assumptions

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

Impairment of assets

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

Managed investment funds

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

(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.

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

(h) Investments and other financial assets
As of 1st July 2018, the Group classifies its financial assets into the following measurement categories:
> Fair value through profit or loss;
> Amortised cost; or
> Fair value through other comprehensive income.

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

Business Model Test

The business model reflects how the Company manages the assets in order to generate cashflows.
The Company's objective will be either to:
> solely collect the contractual cash flows of principal and interest;
> collect both the contractual cash flows of principal and interest and those cash flows arising from the assets disposal; or
> hold for trading purposes.

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

Solely payment of principal and interest test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows by both holding and subsequently selling the asset, the Company is required to determine if the cashflows represent solely payments of principal and interest.

This assessment considers whether the cash flows represent consideration for: time value of money, lending risks and other elements which are consistent with a basic lending arrangement (eg fees to recover administrative costs).

Reclassification

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

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

(i) Property, plant and equipment
Plant and equipment are carried at historical cost less accumulated depreciation, and any impairment losses.

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

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

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

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

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

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

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

	2019	2018
Asset category		
Freehold buildings	40	40
Office furniture & equipment	5	5
Computer hardware	3	3
Motor vehicles	5	5

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

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

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

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

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

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

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

(j) Trustee and funds management activities

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

(k) Accrued Expenses

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

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

(l) Revenue recognition

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

Interest, fees and commissions

Interest, fee and commission revenue in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer.
The arrangements are generally contractual and to cost of providing the service is incurred as each service is performed. The price is usually fixed and always determinable.

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.

(m) Income tax

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

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

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

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

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

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

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

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

(n) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

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

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Payables to related parties are carried at the principal amount.

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

(q) Comparative figures
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Note 3 - Financial risk management objectives and policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	2019 $	2018 $
Cash and cash equivalents	9,192,123	17,055,930
Trade and other receivables	43,123,714	63,517,806
Available-for-sale financial assets	-	8,948,680
Financial Assets - Amortised Cost	6,215,223	
Financial assets fair value through other comprehensive income (FVOCI)	9,061,992	-
	67,593,052	89,522,416

Note 4 - Revenue	2019	2018
Revenue:	$	$
Commission and management fees received	42,153,102	40,563,106
Interest	267,382	241,134
Managed investment schemes distributions	313,218	327,528
	42,733,702	41,131,768
Other income:		
Other income	65,115	57,687
	65,115	57,687

Note 5 - Expenses	2019	2018
Fees and commissions:	$	$
Adviser and agency commissions	5,845,547	6,786,581
Community Bank commissions	2,619,106	2,249,642
	8,464,653	9,036,223
Staff and related costs:*		
Salaries and wages recharge	6,418,983	6,355,889
Superannuation contributions recharge	623,035	609,413
Payroll costs recharge	421,674	406,248
Other recharge	40,680	18,162
	7,504,372	7,389,712
Other operating expenses:		
Communications, postage and stationery expense	71,088	104,820
Marketing and sponsorship	114,926	248,594
Legal expense	(511,401)	17,054,555
Occupancy expense	57,708	228,611
Depreciation expense	46,847	47,034
Computer systems and software costs	319,874	363,727
Accounting expenses	237,441	223,515
Travel expenses	86,572	135,074
Directors fees	174,793	219,354
Other	1,097,318	826,658
	1,695,166	19,451,942

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

Note 6 - Income tax expense	2019	2018
	$	$
Major components of income tax expense are:		
Income Statement		
Current income tax:		
Current income tax charge	3,172,948	4,924,830
Imputation credits		
Adjustments in respect of current income tax of previous years	1,031,192	31,761
Deferred income tax:		
Adjustments in respect of deferred income tax of previous years	(1,046,692)	(41,661)
Relating to origination and reversal of temporary differences	4,367,427	(3,326,757)
Income tax expense reported in the income statement	7,524,875	1,588,173

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

Statement of Changes in Equity

Deferred income tax related to items charged or credited directly in equity		
Net gain/(loss) on available-for-sale investments	-	45,158
Net loss/(gain) on financial assets fair value through other comprehensive income (FVOCI)	33,994	-
Income tax expense reported in equity	33,994	45,158

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:

	2019	2018
Income tax expense attributable to:	$	$
Accounting profit before income tax	25,134,626	5,311,578
The income tax expense comprises amounts set aside as:		
Provision attributable to current year at statutory rate, being		
Prima facie tax on accounting profit before tax	7,540,388	1,593,473
Under/(over) provision in prior years	(15,500)	(9,900)
Expenditure not allowable for income tax purposes		4,600
Other	(13)	-
Income tax expense reported in the consolidated income statement	7,524,875	1,588,173

Deferred income tax

Deferred income tax at 30 June relates to the following:

Gross deferred tax liabilities		
Available-for-sale financial assets	-	(209,604)
Financial assets fair value through other comprehensive income (FVOCI)	(243,598)	-
Revaluation of land & buildings to fair value	(438,245)	(446,682)
Plant, furniture, fittings, office equipment & vehicles	11,444	9,347
Other	15,276	16,523
	(655,123)	(630,416)
Gross deferred tax assets		
Plant & equipment	37,442	37,463
Accrued Expenses	-	3,330,000
Other	-	-
	37,442	3,367,463

At 30 June 2019, there is no unrecognised deferred income tax liability (2018: 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

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

Nature of tax funding agreement

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

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

Taxation of Financial Arrangements

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

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

Note 7 - Cash and cash equivalents	2019	2018
	$	$
Cash at bank	9,192,123	11,291,025
Deposits at short call	-	5,764,905
	9,192,123	17,055,930

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

Note 8 - Trade and other receivables	2019	2018
Current	$	$
Sundry debtors and accrued income	3,814,214	2,903,606
Other assets	10,463,182	26,256,375
	14,277,396	29,159,981
Non-current		
Amounts receivable from ultimate parent entity	28,846,318	34,357,825
	28,846,318	34,357,825

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 9 - Financial Assets - Amortised cost	2019	2018
	$	$
Investments in common funds	6,215,223	-
	6,215,223	-

A financial asset is measured at amortised cost only if both of the following conditions are met:
> the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
> the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Note 10 - Available-for-sale financial assets	2019	2018
Non-current	$	$
Units - In managed investment schemes at fair value	-	8,948,680
	-	8,948,680

Due to the introduction of AASB 9 the held to maturity financial asset category was removed as of 1 July 2018 hence this policy is only applicable for the period ended 30 June 2018.

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

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

Note 11 - Financial assets fair value through other comprehensive income (FVOCI)	2019	2018
Non-current	$	$
Units - In managed investment schemes at fair value	9,061,992	-
	9,061,992	-

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

Note 12 - Property, plant and equipment	2019	2018
	$	$
Freehold land	1,250,000	1,250,000
Freehold buildings	1,125,000	1,125,000
Accumulated depreciation	(63,185)	(35,060)
	1,061,815	1,089,940
Plant and equipment at cost	361,541	361,541
Accumulated depreciation	(292,634)	(273,951)
	68,907	87,590
	2,380,722	2,427,530

Note 12 - Property, plant and equipment (cont'd.)

Reconciliation	2019 $	2018 $
Freehold land		
Carrying amount at beginning	1,250,000	1,250,000
	1,250,000	1,250,000
Freehold buildings		
Carrying amount at beginning	1,089,940	1,118,065
Depreciation expense	(28,125)	(28,125)
	1,061,815	1,089,940
Plant and equipment		
Carrying amount at beginning	87,590	77,358
Additions	-	29,749
Disposals	-	(608)
Depreciation expense	(18,683)	(18,909)
	68,907	87,590

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

Note 13 - Trade and other payables

	2019 $	2018 $
Trade creditors and accrued expenses (a)	980,565	755,367
Legal accrued expenses	-	41,206,375
Income tax due to parent	(1,096,324)	941,612
	(115,759)	42,903,354

Terms and conditions:

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

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

Note 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.

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

a. Credit risk

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

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

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

None of the assets of the Group are past due (2018: Nil past due) and based on historic default rates, the Group believes that no impairment allowance is necessary in respect of assets not past due.

b. Liquidity risk

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

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

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

	Carrying Amount	1 year or less	1 to 5 years	more than 5 years	Total
	$	$	$	$	$
30 June 2019					
Trade and other payables	(115,759)	(115,759)	-	-	(115,759)
Deferred tax liability	655,123	-	655,123	-	655,123
Total financial liabilities	539,364	(115,759)	655,123	-	539,364
30 June 2018					
Trade and other payables	42,903,354	42,903,354	-	-	42,903,354
Deferred tax liability	630,416	-	630,416	-	630,416
Total financial liabilities	43,533,770	42,903,354	630,416	-	43,533,770

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.

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.

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

Sensitivity analysis for fixed and variable rate instruments

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

	2019	2018
Post tax profit	$	$
+ 1% (100 Basis points)	91,921	112,910
- 1% (100 Basis points)	(91,921)	(112,910)
Equity		
+ 1% (100 Basis points)	91,921	112,910
- 1% (100 Basis points)	(91,921)	(112,910)

(ii) Equity price risk

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

(iii) Fair value sensitivity analysis for financial assets at fair value through other comprehensive income (FVOCI)

The following table demonstrates a reasonably possible change in FVOCI asset prices at the reporting date, with reference to benchmarking to an average of the 5 year standard deviation of the following indices; S&P/ASX 300 TR Index, MSCI World ex Australia NR Index (unhedged), UBS Composite Bond Index, Barclays Global aggregate Bond index (Unhedged). This would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
	$	$	$	$
30 June 2019				
FVOCI with recycling	-	-	906,199	(906,199)
30 June 2018				
Available-for-sale financial assets	-	-	894,868	(894,868)

d. Net fair values

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

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

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

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

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

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

	Year ended 30 June 2019				Year ended 30 June 2018			
	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non market observable inputs (level 3)	Total	Quoted market price (level 1)	Valuation technique market observable inputs (level 2)	Valuation technique non market observable inputs (level 3)	Total
Financial assets								
Financial assets fair value through other comprehensive income	-	9,061,992	-	9,061,992	-	-	-	-
Available-for-sale investments	-	-	-	-	-	8,948,680	-	8,948,680
	-	9,061,992	-	9,061,992	-	8,948,680	-	8,948,680

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	2019	2018
	$	$
Issued capital: 10,000,000 ordinary shares fully paid	5,000,000	5,000,000
	5,000,000	5,000,000

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

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

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

Note 16 - Retained earnings	2019	2018
Movements in retained earnings were as follows:	$	$
Retained profits at the beginning of the financial year	41,779,962	39,516,507
Net profit attributable to members of the Company	17,609,751	3,723,405
Transfer to Operational Risk reserve	(632,033)	(1,459,950)
	58,757,680	41,779,962

Note 17 – Reserves	2019	2018
	$	$
Asset Revaluation Reserves	1,833,789	1,754,472
Operational Risk Reserve	3,880,383	3,249,205
	5,714,172	5,003,677

Note 18 - Cash flow information

(a) Reconciliation of cash

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

	2019	2018
	$	$
Cash at bank	9,192,123	11,291,025
Deposits at short call	-	5,764,905
	9,192,123	17,055,930

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

	2019	2018
Net profit after income tax	17,609,751	3,723,405
Adjustments:		
Depreciation	46,807	47,034
Property, plant and equipment (profit)/loss	-	608
Tax effect on revaluations	(33,994)	(45,158)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(11,373,789)	(25,983,040)
(Increase)/decrease in deferred tax assets	3,330,021	(3,362,966)
(Decrease)/increase in deferred tax liability	24,707	39,906
(Decrease)/increase in accounts payable	(14,724,802)	41,775,255
(Decrease)/increase in tax payable	(2,037,936)	(753,927)
	(7,159,235)	15,441,117

(c) Non-cash financing and investing activities

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

Note 19 - Related party disclosures

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

(a) The ultimate parent entity of Sandhurst Trustees Limited is Bendigo and Adelaide Bank Limited.

(b) There is an interest free receivable from the ultimate parent of the company which has no fixed repayment date, and may be recalled at any time.

	Receipts and fees received from Bendigo and Adelaide Bank Ltd	Supplies, Fixed Assets and service fees charged by Bendigo and Adelaide Bank Ltd	Net Amount due from /(owing to)Bendigo and Adelaide Bank Ltd
	$	$	$
2019	17,436,400	24,815,804	38,301,920
2018	51,821,452	37,037,591	45,681,324

(c) Sandhurst Trustees Limited holds investments in the Sandhurst Select Mortgage Fund, valued at $6,215,223 at 30 June 2019 ($5,764,905 - 2018).

(d) Sandhurst Trustees Limited holds other managed fund investments in funds issued by Sandhurst Trustees Limited valued at $9,061,992 at 30 June 2019 ($8,948,680 - 2018).

(e) Sandhurst Trustees Limited has received $313,218 ($327,528 – 2018) 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 - 2018) under normal commercial terms and conditions.

(g) The directors of Sandhurst Trustees Limited may invest in funds managed by Sandhurst Trustees from time to time. All investments are held on commercial terms and are at an arm’s length basis.

(h) The directors of Sandhurst Trustees Limited may have a loan with a mortgage fund issued by Sandhurst Trustees from time to time. All loans held are on commercial terms and are at an arm’s length basis.

i) Sandhurst Trustees Limited holds a bank account with the parent, this holding had on deposit $9,192,123 at 30 June 2019 ($11,291,025 at 30 June 2018)

Note 20 - Director and executive disclosures

(a) Details of key management personnel

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

(b) The compensation of key management personnel
Key management personnel are employed and paid by Bendigo and Adelaide Bank Limited.

Remuneration of directors is paid directly by Bendigo and Adelaide Bank Limited, the ultimate parent entity of Sandhurst Trustees Limited. The directors do not receive any remuneration directly from Sandhurst Trustees. In relation to non-executive director fees, Ms Dawson received an annual fee of $85,000 plus superannuation of $8,075 (FY2018: $85,000 plus superannuation of $8,075). Mr Mansbridge resigned from the Board on 23 July 2018 and received an annual fee of $5,167 plus superannuation of $491 (FY2018: $82,000 plus superannuation of $7,790). Mr Robinson received an annual fee of $38,052 plus superannuation of $3,615 (FY2018: $54,795 plus superannuation of $5,205). Mr Baker commenced on the Board on 3 August 2018 and received an annual fee of $36,274 plus superannuation of $3,446 (FY18: not applicable).

Note 21 - Economic dependence

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

Note 22 - Controlled entities

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

Note 23 - Contingent liabilities and assets

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

Note 24 – Involvement in unconsolidated entities

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

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

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

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

Risks associated with unconsolidated structured entities
The following table summarises the carrying values recognised in the balance sheet in relation to unconsolidated structured entities as of 30 June 2019:

	$
FVOCI With Recycling	9,061,992

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 2019 and 30 June 2018 with structured entities.

	Carrying amount		Maximum loss exposure	
	2019	2018	2019	2018
	$	$	$	$
FVOCI with recycling	9,061,992	-	9,061,992	-
Available-for-sale financial assets	-	14,713,585	-	14,713,585
Financial asset at amortised cost	6,215,223	-	6,215,223	-

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

Note 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.

	2019	2018
	$	$
Financial position		
Assets		
Current assets	23,469,519	46,215,911
Non-current assets	46,541,703	49,101,503
Total assets	70,011,222	95,317,414
Liabilities		
Current liabilities	(115,759)	42,903,354
Non-current liabilities	655,128	630,421
Total liabilities	539,369	43,533,775
Equity		
Contributed equity	5,000,000	5,000,000
Retained earnings	58,757,680	41,779,962
Reserves	5,714,173	5,003,677
Total equity	69,471,853	51,783,639

	2019	2018
	$	$
Financial performance		
Revenue	42,798,817	41,189,455
Expenses	17,664,191	35,877,877
Profit for the year after tax	17,609,751	3,723,405
Other comprehensive income	79,317	105,368
Total comprehensive income	17,689,068	3,828,773

Note 26 - Subsequent events

Since 30 June 2019 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.

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 2019 and of their performance for the year ended on that date; and

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

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

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

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

On behalf of the Board

Director

Jennifer Dawson

Date: 28 October 2019

CORPORATE INFORMATION

Directors

Jennifer Dawson	Chairman, Non-executive director
Richard Baker	Non-executive director
Deborah Radford (Appointed 23 July 2019)	Non-executive director
Paul Rohan (Appointed 2 October 2018)	Executive director
Ian Mansbridge (Retired 23 July 2018)	Non-executive director
Bruce Speirs (Resigned 27 September 2018)	Executive director
Antony Robinson (Resigned 23 July 2019)	Non-executive director

Company Secretaries

Rochelle Parker
Will Conlan

Registered Office

The Bendigo Centre
22-44 Bath Lane
BENDIGO Victoria 3550

Principal Business Address

The Bendigo Centre
22-44 Bath Lane
BENDIGO Victoria 3550

Other Locations

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

Internet Address

www.sandhursttrustees.com.au

Auditors

Ernst & Young

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

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

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

Opinion

We have audited the financial report of Sandhurst Trustees Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

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

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

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

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

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.

Building a better working world

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

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

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

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Melbourne
28 October 2019