Sandhurst Trustees Limited

Annual Report 2006

For the year ended 30 June 2006

Sandhurst Trustees
SUBSIDIARY OF BENDIGO BANK

ABN 16 004 030 737

AFSL 237906

Contents

Chairman's report

Sandhurst Trustees accomplished another year of strong growth in revenues whilst managing to maintain a modest increase in related expenses. Total funds under management had reached a milestone $3.0 billion by the end of the financial year.

The continued growth in funds under management enjoyed by Sandhurst over the past couple of years has further demonstrated the value of our strategy of developing our funds management products and services. Sandhurst now has in place a compact suite of relevant and high quality products. The continued expansion of the Bendigo Bank Group distribution network and increased awareness of our product range in the external market has assisted the continued growth experienced in our funds under management.

Profit after tax of $16.6 million for the year ended 30 June 2006 reflected an increase of $2.6 million (19%) from the previous year. Key drivers of this increase in profit after tax were:

- Funds under management of $3.0 billion at 30 June 2006 up $300 million (10%) from the previous year.
- Funds under management growth was driven by continued strong growth in the Sandhurst Select Mortgage Fund which increased by $240 million (18%) during the year. Bendigo Managed funds also grew by $15 million (27%) to $73 million.
- Increased revenue arising from new appointments taken on by our Melbourne and Sydney offices. The services provided by these offices include the provision of funds management administration for other responsible entities, registry services for unit trusts, custodial services and trustee and custodial roles in connection with securitisation programs;
- Continued growth in our Estates Will Bank and management of our continuing trusts including charitable trusts which have made important distributions to assist community projects and areas of need; and
- The Bendigo Superannuation Plan increased by $40 million (18%) with member numbers increasing to 13,800.

In addition to the significant financial achievements during the year, Sandhurst Trustees also enhanced its existing product suite through the launch of the Sandhurst Professional Series and Bendigo Super Easy™ Superannuation Plan. The Professional Series offers customers an international equities managed fund which has not previously been available through Sandhurst. In addition, Bendigo Super Easy™ offers a simple and low fee superannuation alternative.

During the year, Sandhurst also continued in it's role of Trustee and Administrator for the Community Enterprise™ Foundation. The Foundation is a National Philanthropic Foundation with the aim to further enhance the prospects of communities we partner with across Australia. The Foundation initiative has enjoyed a very successful second year of operation and has now raised in excess of $7 million and distributed over $4.5 million since inception.

I thank my fellow directors, our CEO Mrs Marnie Baker and Sandhurst and Bendigo Bank staff members for their significant contributions during the year and their dedicated service to Sandhurst Trustees' clients.

Ian Mansbridge

Chairman

Directors' report

Your Directors submit the financial report of Sandhurst Trustees Limited (the Company) and its controlled entities for the year ended 30 June 2006.

Directors

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

Ian G Mansbridge   Chairman
Gregory D Gillett
Michael J Hirst
Marnie A Baker (appointed on 30 September 2005)
Timothy J Murphy (appointed on 11 January 2006)
Robert G Hunt (resigned 11 January 2006)

Joint Company Secretary

The names of the joint Company Secretaries at the end of the financial year are:

David A Oataway
Mark S Hall

Corporate structure

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

Principal activities

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

- Responsible Entity for Managed Investment Schemes;
- Corporate Trustee and Custodial Services;
- Estate Administration / Will Preparation; and
- Trustee for Superannuation Plans.

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

At 30 June 2006 there were 49 (2005: 44) staff employed to undertake the above activities.

Consolidated results

	2006 $	2005 $
Economic entity results in brief:		
Operating profit before income tax	23,717,990	20,057,370
Operating profit after income tax	16,601,860	13,950,656

Dividends paid

	2006 $	2005 $
Dividends Paid	16,190,000	13,740,000

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

Share options

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

Significant changes in state of affairs

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

Review of operations

The economic entity achieved a profit from ordinary activities after income tax expense of $16,601,860. This represents a 19% increase from the $13,950,656 profit from ordinary activities after income tax expense for 2005. Profit from ordinary activities before income tax expense was $23,717,990 compared to $20,057,370 for 2005, representing an 18% increase.

The 2006 result reflected increased revenue, partially offset by volume-related increased operating costs. Sandhurst experienced another year of solid growth in funds under management during the year, which resulted in operating revenue of $42,329,228 being 14% ahead of 2005.

Funds management

Our funds management and superannuation business managed by Sandhurst Trustees continued its growth trend with funds under management growing by $300 million to $3 billion at 30 June 2006.

Common Funds continued to grow during the year and provided competitive returns to investors. Funds under management reached $1,941 million at 30 June up $209 million on the prior year.

Sandhurst Trustees extended its strategic alliance with Investors Mutual Limited ("IML"), a specialist investment manager of Australian shares. IML delivers a conservative value-based investment style with a long term focus. Such a style does not typically result in the higher short term returns currently experienced by some funds during buoyant market conditions. Consequently, the Sandhurst Industrial Share Fund and Sandhurst Future leaders Fund experienced minor reductions in fund size, reducing to $545 million ($561 million - 2005) as some investors cashed in their profits or chased higher investment returns and risk.

The Bendigo Managed Funds, all managed by a collection of specialist investment managers, provided strong returns to investors and continued to grow, increasing by 27% to $73 million.

Superannuation and share ownership continues to assume growing importance for Australians seeking to create wealth and plan for their retirement. Plan membership and funds under management for the Bendigo Superannuation Plan continued to grow strongly, with memberships growing to 13,800 and fund assets reaching $260 million ($220 million - 2005).

Corporate trustee & custodial services

During the current financial year, the Melbourne and Sydney offices continued to increase their revenue and asset base. Revenue from Corporate trustee and custodial services increased by 13% on the prior year. Growth included organic and new business particularly in the provision of custody and related services across the direct property and equity sectors.

Estate administration / will preparation

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

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

Significant events after balance date

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.

As authorised under the Company's constitution, the Company has entered into deeds providing for indemnity, insurance and access to documents for each director that held office during the year. The deed requires the Company to indemnify the director against all liabilities incurred by the director in, or arising out of the conduct of the business of the Company, a subsidiary of the Company or an associated entity of the Company or in the discharge of their duties as a director of the Company, a subsidiary or associated company.

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

During or since financial year end, the Company paid insurance premiums to insure certain officers of the Company and related bodies corporate against liabilities for costs and expenses incurred by them in defending any legal action arising out of their conduct while acting in their various capacities. The officers covered by the insurance policy include the directors listed in this report, the secretary and senior management of the Company.

Disclosure of the nature of the policy and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Statutory Trustee

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

Environmental regulation and performance

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

Auditor independence declaration

The Director's received an Independence Declaration from the Auditors of Sandhurst Trustees Limited, a copy of which is attached to the Director's Report. Signed in accordance with a resolution of the Board of Directors.

I G Mansbridge

Ian G Mansbridge Chairman

Dated this 18th day of September 2006

Independent audit declaration

ERNST & YOUNG

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8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

■ Tel 61 3 9288 8000
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Auditor's Independence Declaration to the Directors of Sandhurst Trustees Limited

In relation to our audit of the financial report of Sandhurst Trustees Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
18 September 2006

Income Statement

Sandhurst Trustees Limited and Controlled Entities

Income Statement for the year ended 30 June 2006.

	Note	Consolidated		Company	
		2006 $	2005 $	2006 $	2005 $
Revenues from continuing operations	3	42,162,332	36,648,179	42,162,332	36,648,179
Other income	3	166,896	514,871	166,896	514,871
Total Income	3	42,329,228	37,163,050	42,329,228	37,163,050
Management fees and commissions paid	4	(10,887,480)	(10,036,581)	(10,887,480)	(10,036,581)
Bad and doubtful debts expense	4	-	(20)	-	(20)
Business promotion expense	4	(303,207)	(238,277)	(320,440)	(238,277)
Employee benefits expense	4	(3,272,206)	(2,849,171)	(3,270,635)	(2,848,129)
Occupancy expense	4	(444,919)	(510,443)	(444,919)	(510,443)
Property, plant & equipment costs	4	(160,472)	(160,732)	(160,472)	(160,732)
Computer systems and software costs	4	(309,272)	(372,401)	(309,272)	(372,401)
Administration expense	4	(2,970,584)	(2,608,035)	(2,919,297)	(2,551,102)
Other expenses	4	(263,098)	(330,020)	(263,108)	(283,700)
Total Expenses		(18,611,238)	(17,105,680)	(18,575,623)	(17,001,385)
Profit before income tax		23,717,990	20,057,370	23,753,605	20,161,665
Income tax expense	5	7,116,130	6,106,714	7,126,815	6,149,298
Net profit attributable to members of the parent		**16,601,860**	**13,950,656**	**16,626,790**	**14,012,367**

Balance Sheet

Sandhurst Trustees Limited and Controlled Entities

Balance Sheet as at 30 June 2006.

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current assets					
Cash and cash equivalents	7	3,080,577	2,774,570	3,080,577	2,774,570
Trade and other receivables	8	4,722,931	3,313,141	4,722,931	3,313,141
Available-for-sale financial assets	9	-	333,961	-	333,961
Other	12	-	7,324	-	7,324
Total current assets		**7,803,508**	**6,428,996**	**7,803,508**	**6,428,996**
Non - current assets					
Receivables	8	326,105	566,490	326,105	566,490
Available-for-sale financial assets	9	170,771	149,975	170,787	149,992
Property, plant and equipment	10	153,592	173,756	153,592	173,756
Intangible assets	11	133,733	96,576	133,733	96,576
Deferred tax assets	5	237,622	197,776	237,567	197,693
Reserve fund	13	10,500,000	9,500,000	10,500,000	9,500,000
Total non - current assets		**11,521,823**	**10,684,573**	**11,521,784**	**10,684,507**
Total assets		**19,325,331**	**17,113,569**	**19,325,292**	**17,113,503**
Current liabilities					
Trade and other payables	14	8,928,654	7,420,870	8,626,428	7,143,547
Total current liabilities		**8,928,654**	**7,420,870**	**8,626,428**	**7,143,547**
Non - current liabilities					
Deferred tax liability	5	271,385	184,543	271,385	184,543
Provisions	15	53,749	67,232	53,749	67,232
Total non - current liabilities		325,134	251,775	325,134	251,775
Total liabilities		9,253,788	7,672,645	8,951,562	7,395,322
Net assets		**10,071,543**	**9,440,924**	**10,373,730**	**9,718,181**
Equity					
Equity attributable to equity holders					
Contributed equity	16	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings	17	4,463,434	4,028,784	4,765,621	4,306,041
Reserves		608,109	412,140	608,109	412,140
Total equity		**10,071,543**	**9,440,924**	**10,373,730**	**9,718,181**

Statement of Changes in Equity

Sandhurst Trustees Limited and Controlled Entities

Statement of Changes in Equity
as at 30 June 2006

Consolidated	**Issued Capital**	**Other Reserves**	**Retained Earnings**	**Total Equity**
Opening AGAAP balance (1 July 2004)	5,000,000	10,241,626	2,557,387	17,799,013
Write back of trustee Licence	-	(9,530,000)	-	(9,530,000)
Reversal of amortisation	-	-	1,143,600	1,143,600
Tax effect of revaluations	-	(175,702)	-	(175,702)
Adjusted AIFRS opening balance (1 July 2004)	**5,000,000**	**535,924**	**3,700,987**	**9,236,911**
Profit/(Loss) for the period	-	-	13,950,656	13,950,656
Transfer to retained earnings	-	(117,141)	117,141	-
Tax effect of revaluations	-	(6,643)	-	(6,643)
Dividends Paid	-	-	(13,740,000)	(13,740,000)
Balance at 30 June 2005	**5,000,000**	**412,140**	**4,028,784**	**9,440,924**
Balance at 1 July 2005	5,000,000	412,140	4,028,784	9,440,924
Profit/(Loss) for the period	-	-	16,601,860	16,601,860
Transfer to retained earnings	-	(22,790)	22,790	-
Revaluation Increments	-	319,588	-	319,588
Tax effect of revaluations	-	(100,829)	-	(100,829)
Dividends Paid	-	-	(16,190,000)	(16,190,000)
Balance at 30 June 2006	**5,000,000**	**608,109**	**4,463,434**	**10,071,543**

Statement of Changes in Equity

Sandhurst Trustees Limited and Controlled Entities

Statement of Changes in Equity
as at 30 June 2006

Sandhurst Trustees	Issued Capital	Other Reserves	Retained Earnings	Total Equity
Opening AGAAP balance (1 July 2004)	5,000,000	10,241,626	2,772,933	18,014,559
Write back of trustee Licence	-	(9,530,000)	-	(9,530,000)
Reversal of amortisation	-	-	1,143,600	1,143,600
Tax effect of revaluations	-	(175,702)	-	(175,702)
Adjusted AIFRS opening balance (1 July 2004)	**5,000,000**	**535,924**	**3,916,533**	**9,452,457**
Profit/(Loss) for the period	-	-	14,012,367	14,012,367
Transfer to retained earnings	-	(117,141)	117,141	-
Tax effect of revaluations	-	(6,643)	-	(6,643)
Dividends Paid	-	-	(13,740,000)	(13,740,000)
Balance at 30 June 2005	**5,000,000**	**412,140**	**4,306,041**	**9,718,181**
Balance at 1 July 2005	5,000,000	412,140	4,306,041	9,718,181
Profit/(Loss) for the period	-	-	16,626,790	16,626,790
Transfer to retained earnings	-	(22,790)	22,790	-
Revaluation Increments	-	319,588	-	319,588
Tax effect of revaluations	-	(100,829)	-	(100,829)
Dividends Paid	-	-	(16,190,000)	(16,190,000)
Balance at 30 June 2006	**5,000,000**	**608,109**	**4,765,621**	**10,373,730**

Cash Flow Statement

Sandhurst Trustees Limited and Controlled Entities

Cash Flow Statement
for the year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Cash receipts in the course of operations		31,349,711	26,058,989	31,349,711	26,058,349
Cash payments in the course of operations		(9,553,123)	(7,348,549)	(9,517,606)	(7,290,420)
Income tax paid		(6,064,299)	(3,842,001)	(6,081,687)	(3,880,088)
Net cash flows from / (used in) operating activities	**27(b)**	**15,732,289**	**14,868,439**	**15,750,418**	**14,887,841**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	51,954	-	51,954
Purchase of property, plant and equipment		(40,895)	(108,340)	(40,895)	(108,340)
Purchase of intangible software		(113,780)	(56,050)	(113,780)	(56,050)
Proceeds from sale of financial assets		1,967,271	1,629,558	1,967,271	1,629,558
Payments for financial assets		(2,487,358)	(165,078)	(2,487,358)	(165,078)
Dividends received		259,251	124,511	259,251	124,511
Interest received		662,476	394,150	662,476	394,150
Net cash flows from / (used in) investing activities		**246,965**	**1,870,705**	**246,965**	**1,870,705**
Cash flows from financing activities					
Repayment of borrowings		220,129	(1,021,893)	202,000	(1,041,293)
Increase in reserve fund deposits		296,624	(3,022,791)	296,624	(3,022,791)
Dividends paid		(16,190,000)	(13,740,000)	(16,190,000)	(13,740,000)
Net cash flows from / (used in) financing activities		**(15,673,247)**	**(17,784,684)**	**(15,691,376)**	**(17,804,084)**
Net increase / (decrease) in cash and cash equivalents held		**306,007**	**(1,045,540)**	**306,007**	**(1,045,538)**
Cash and cash equivalents at beginning of year		**2,774,570**	**3,820,110**	**2,774,570**	**3,820,108**
Cash and cash equivalents at end of year	**27(a)**	**3,080,577**	**2,774,570**	**3,080,577**	**2,774,570**

Sandhurst Trustees Limited and Controlled Entities
Notes to the financial statements
for the year ended 30 June 2006

Note 1 - Corporate Information

The financial report of Sandhurst Trustees Limited for year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 18 September, 2006.

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 applicable Accounting Standards.

The financial report covers Sandhurst Trustees Limited as an individual parent entity and Sandhurst Trustees Limited and controlled entities as an economic entity. Sandhurst Trustees Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is presented in Australian dollars.

The financial report is prepared on a going concern and an accruals basis and is based on historical costs except for investment properties, land and buildings and available-for-sale assets which have been measured at their fair value.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report that is prepared based on Australian Equivalents to International Financial Reporting Standards (AIFRS) and comparatives for the year ended 30 June 2005 have been re-stated accordingly, with the exception of AASB 139: Financial Instruments: Recognition and AASB 132: Financial Instruments: Disclosure and Presentation, as the Company has taken the exemption under AASB 1: First Time Adoption of Australian Equivalents, to apply these standards from 1 July 2005.

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard (s)	Impact on the Company
2004-3	AASB 1 First-time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact.
2005-1	AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.
2005-4	AASB 139 Financial Instruments: Recognition and Measurement AASB 132 Financial Instruments: Disclosure and Presentation AASB 1 First-time adoption of AIFRS AASB 1023 General Insurance Contracts AASB 1038 Life Insurance Contracts	No change to accounting policy required. Therefore no impact.
2005-5	AASB 1 First-time adoption of AIFRS AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.
2005-6	AASB 3 Business Combinations	No change to accounting policy required. Therefore no impact.
2005-9	AASB 4 Insurance Contracts AASB 1023 General Insurance Contracts AASB 139 Financial Instruments: Recognition and Measurement AASB 132 Financial Instruments: Disclosure and Presentation	No change to accounting policy required. Therefore no impact.
2005-10	AASB 132 Financial Instruments: Disclosure and Presentation AASB 101 Presentation of Financial Statements AASB 114 Segment Reporting AASB 117 Leases AASB 133 Earnings per Share AASB 139 Financial Instruments: Recognition and Measurement AASB 1 First-time adoption of AIFRS AASB 4 Insurance Contracts AASB 1023 General Insurance Contracts AASB 1038 Life Insurance Contracts	No change to accounting policy required. Therefore no impact.
2006-1	AASB 121 The Effects of Change in Currency Rates	No change to accounting policy required. Therefore no impact.

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

The following new or revised standards have no impact on the Company:

AASB 119	Employee Benefits
AASB 7	Financial Instruments: Disclosures
UIG 4	Determining whether an Arrangement contains a Lease
UIG 5	Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds
UIG 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
UIG 8	Scope of AASB 2
UIG 9	Reassessment of Embedded Derivatives

(c) Changes in accounting policies

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

(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 to the financial statements. Controlled entities prepare financial reports for consolidation in conformity with Group accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 economic entity 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

(i) Significant accounting estimates and 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 balance date. If a trigger is evident the asset must be tested for impairment, which requires the estimation of future cash flows and the use of an appropriate discount rate.

(f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

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

(g) Trade and other receivables

From 1 July 2004 to 30 June 2005

Trade and other receivables are carried at amortised cost using the effective interest rate method.

The effective interest rate calculation includes the contractual terms of the loan together with all fees, transaction costs and other premiums or discounts.

From 1 July 2005

Trade receivables are recognised and carried at original invoice amount less an allowance for un-collectable amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts.

Bad debts are written off as incurred.
Receivables from related parties are recognised and carried at the nominal amount due.

(h) Financial Assets and Liabilites

From 1 July 2004 to 30 June 2005

The company has applied previous AGAAP in the comparative information of financial assets and liabilities. Under AGAAP, measurement is at cost.

Transition 1 July 2005

The nature of adjustments to comply with AASB 132 and AASB 139, are the classification of available for sale, held to maturity and financial assets at fair value through the profit and loss.

From 1 July 2005

All assets and liabilities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.
Fair value of share investments is determined as follows:
Listed shares - quoted market price at balance date
Unlisted shares - are measured at cost as fair value cannot be reliably measured for these unlisted investments.

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

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Derecognition of financial assets and liabilities

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 an independent third party.

(i) Property, plant and equipment

Property plant and equipment is carried at cost less accumulated depreciation, and any impairment losses.

Land and buildings are independently valued at least every three years and is measured at fair value.

Depreciation/Amortisation

Depreciation is provided on a straight-line basis on all property, plant and equipment.
Major depreciation periods are:

	2006	2005
Asset category		
Freehold buildings	40	40
Office furniture & equipment	5	5
Computer hardware	3	3
Motor vehicles	5	5

Impairment

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

An impairment exists when the carrying value of an asset or cash-generating unit exceeds it's estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of the sales line item. 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 income statement in the period the item is derecognised.

(j) Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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.

(k) Trustee and funds management activities

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

(l) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries have been recognised and measured as the amount which the economic entity has a present obligation to pay, at balance date, in respect of employees' service up to that date. Liabilities have been calculated at nominal amounts based on wage and salary rates current at balance date and include related on-costs. Annual leave liabilities are accrued on the basis of full pro-rata entitlement measured at the amounts expected to be paid when the liabilities are settled.

Sick leave liabilities have been calculated at balance date, after consideration of the economic entity's experience of employee departures.

Long service leave

Long service leave has been assessed at full pro-rata entitlement in respect of all employees with more than five years service. The amount provided currently meets the requirement of Accounting Standard AASB 119 "Employee Benefits", which requires the assessment of the likely number of employees that will ultimately be entitled to long service leave, the estimated salary rates that will apply when the leave is paid, discounted to take account of the time value of money.

Superannuation

Contributions are made to an employee accumulation superannuation fund and are charged to expenses when incurred.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest, fees and commissions

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 accrual 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 instrument.

Dividends

Control of a right to receive consideration for the investment in assets is attained, evidenced by the declaration of dividends by the investee.

Property Revenue

Property revenue is recognised as income on an accruals basis.

(n) Impairment of plant and equipment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of assets is the greater 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

(o) 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 balance date.

(p) 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 balance sheet liability method of tax effect accounting, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet.

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, effects 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.

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

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 balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(q) 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

(r) Reserve Fund

Part VI of the Trustee Companies Act 1984 ("the Act") requires that the Company maintain a Reserve Fund, moneys from which, may only be paid out in accordance with section 39(3) of the Act in the event of the appointment of a liquidator, a receiver, a receiver and manager, or an administrator to the Company.

(s) Trade and other payables

From 1 July 2004 to 30 June 2005

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 entity.

Payables to related parties are carried at the principal amount.

From 1 July 2005

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 consolidated entity. Payables to related parties are carried at the principal amount.

(t) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Comparative figures

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

(v) Reserve

The reserve is comprised solely of an asset revaluation reserve, which is made up of revaluations to shares and land and buildings.

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 3- Revenues					
Revenue					
- Commission and management fees received		41,096,760	35,879,964	41,096,760	35,879,964
- Distributions from managed investments		551,999	423,231	551,999	423,231
- Dividends		259,251	124,511	259,251	124,511
- Property revenue		254,322	220,473	254,322	220,473
Total revenue		**42,162,332**	**36,648,179**	**42,162,332**	**36,648,179**
Other income					
- Valuation adjustment on investments		-	4,000	-	4,000
- Net gains on sale of plant & equipment		-	3,461	-	3,461
- Net gains on sale of non current assets		166,580	507,345	166,580	507,345
- Other revenues		316	65	316	65
Total other income		**166,896**	**514,871**	**166,896**	**514,871**
Total revenues from ordinary activities		**42,329,228**	**37,163,050**	**42,329,228**	**37,163,050**
(a) Dividends from:					
- other corporations		9,382	1,951	9,382	1,951
- unit trust distributions		249,869	122,560	249,869	122,560
		259,251	**124,511**	**259,251**	**124,511**

Note 4 - Expenses					
Lending bad debts expense		-	(20)	-	(20)
		-	**(20)**	**-**	**(20)**
Business promotion expense					
- Retail media		-	(256)	-	(256)
- Sponsorship		(89,881)	(94,698)	(84,231)	(94,698)
- Printing		(163,425)	(103,078)	(180,658)	(103,078)
- Promotional items		(19,937)	(16,279)	(19,937)	(16,279)
- Other		(29,964)	(23,966)	(35,614)	(23,966)
		(303,207)	**(238,277)**	**(320,440)**	**(238,277)**
Employee benefits expense					
- Salaries and wages		(2,466,814)	(2,168,946)	(2,466,814)	(2,168,946)
- Superannuation contributions		(242,933)	(216,695)	(242,933)	(216,695)
- Provision for annual leave		(251,362)	(208,285)	(251,362)	(208,285)
- Provision for long service leave		(47,576)	(41,462)	(47,576)	(41,462)
- Other provisions		(26,641)	1,731	(26,641)	1,731
- Payroll tax		(159,861)	(139,339)	(158,290)	(138,297)
- Fringe benefits tax		(39,252)	(15,912)	(39,252)	(15,912)
- Other		(37,767)	(60,263)	(37,767)	(60,263)
		(3,272,206)	**(2,849,171)**	**(3,270,635)**	**(2,848,129)**

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 4 - Expenses (cont.)					
Occupancy expense					
- Operating lease rental expense		(425,560)	(475,205)	(425,560)	(475,205)
- Rates and taxes		(12,038)	(21,382)	(12,038)	(21,382)
- Repairs and maintenance		(4,592)	(9,661)	(4,592)	(9,661)
- Outgoings		(2,729)	(4,195)	(2,729)	(4,195)
		(444,919)	**(510,443)**	**(444,919)**	**(510,443)**
Property, plant & equipment costs					
- Building depreciation		(22,790)	(22,790)	(22,790)	(22,790)
- Plant and equipment depreciation		(52,781)	(137,942)	(52,781)	(137,942)
- Intangible software amortisation		(76,623)	-	(76,623)	-
- Net loss on sale of plant & equipment		(8,278)	-	(8,278)	-
		(160,472)	**(160,732)**	**(160,472)**	**(160,732)**
Computer systems and software costs					
- Computer line rental		(34,586)	(13,640)	(34,586)	(13,640)
- Leasing costs		(82,961)	(116,558)	(82,961)	(116,558)
- Repairs and maintenance hardware		(161)	(22,123)	(161)	(22,123)
- Software maintenance		(187,829)	(205,518)	(187,829)	(205,518)
- Software purchases		(3,735)	(14,562)	(3,735)	(14,562)
		(309,272)	**(372,401)**	**(309,272)**	**(372,401)**
Management fees and commissions paid					
- Managed investment schemes		(10,531,587)	(9,904,448)	(10,531,587)	(9,904,448)
- Superannuation		(355,893)	(132,133)	(355,893)	(132,133)
		(10,887,480)	**(10,036,581)**	**(10,887,480)**	**(10,036,581)**
Administration expense					
- Parent entity cost recoveries		(2,461,954)	(2,006,534)	(2,461,954)	(2,006,534)
- Legal expenses		(10,718)	(12,021)	(10,718)	(12,021)
- Consulting expenses		(114,570)	(100,465)	(86,752)	(61,362)
- Accounting expenses		(6,832)	(8,938)	(6,832)	(8,938)
- Stationery and office supplies		(105,280)	(127,658)	(88,047)	(127,658)
- Motor vehicle expenses		(35,580)	(42,074)	(35,580)	(42,074)
- Insurance premiums		(12,419)	(12,463)	(12,419)	(12,463)
- Telephone		(49,662)	(66,371)	(49,662)	(66,136)
- Postage		(51,124)	(66,177)	(51,124)	(66,177)
- Travel expenses		(54,747)	(72,577)	(48,511)	(54,982)
- Subscriptions to associations		(48,459)	(66,962)	(48,459)	(66,962)
- Electricity / gas and fuel		(19,239)	(25,795)	(19,239)	(25,795)
		(2,970,584)	**(2,608,035)**	**(2,919,297)**	**(2,551,102)**
Other expenses		(263,098)	(330,020)	(263,108)	(283,700)

The ultimate parent entity provides administrative services that are charged back to the reporting entity. Audit fees are paid by the ultimate parent entity, Bendigo Bank Limited.

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 5 - Income tax expense					
Major components of income tax expense are:					
Income statement					
Current income tax:					
Current Income tax charge		7,182,240	5,972,525	7,192,956	5,990,014
Adjustments in respect of current income tax of previous years		(8,256)	79,350	(8,256)	104,495
Deferred income tax:					
Relating to origination and reversal of temporary differences		(53,833)	55,675	(53,864)	55,625
Tax credits and adjustments		(4,021)	(836)	(4,021)	(836)
Other items		-	-	-	-
Income tax expense reported in the income statement		7,116,130	6,106,714	7,126,815	6,149,298
Statement of changes in equity					
Deferred income tax related to items charged or credited directly in equity					
Net loss on revaluation of cash flow hedges		-	-	-	-
Unrealised gain of available-for-sale financial assets		-	(13,480)	-	(13,480)
Net gain on revaluation of land and buildings		-	6,837	-	6,837
Net gain on revaluation of investments		(100,829)	-	(100,829)	-
Net gain on hedge of net investment		-	-	-	-
Depreciation transfer		-	-	-	-
Income tax benefit reported in equity		(100,829)	(6,643)	(100,829)	(6,643)
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:					
Income tax attributable to:					
Accounting profit before income tax		23,717,995	20,057,370	23,753,611	20,161,665
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		7,115,398	6,017,211	7,126,083	6,048,500
under (over) provision in prior years		(8,256)	79,349	(8,256)	104,495
current year rebates and credits		(4,021)	(836)	(4,021)	(836)
Fair value revaluations on property, plant & equipment		1,753	5,430	1,753	5,430
Unrecognised tax losses		-	-	-	-
Capital allowances		302	14,058	333	207
Deferred tax movement		(53,833)	55,625	(53,864)	55,625
Expenditure not allowable for income tax purposes		1,407	297	1,407	297
Other non assessable income		-	(14,805)	-	(14,805)
Other		63,380	(49,615)	63,380	(49,615)
Income tax expense reported in the consolidated income statement		7,116,130	6,106,714	7,126,815	6,149,298
Effective income tax rate		30.00%	30.45%	30.00%	30.50%

	Balance Sheet		Income Statement	
	2006 $	2005 $	2006 $	2005 $
Note 5 - Income tax expense (cont.)				
Deferred income tax				
Deferred income tax at 30 June relates to the following				
Consolidated				
Deferred tax liabilities				
Revaluations of investments	(116,875)	(20,999)	(4,953)	44,993
Revaluations of land & buildings to fair value	(154,510)	(161,347)	(6,837)	-
Deferred expenses	-	(2,197)	(2,197)	(1,119)
Deferred tax liabilities	**(271,385)**	**(184,543)**		
Deferred tax assets				
Post-employment benefits	177,024	139,247	(37,777)	(3,798)
Expenses tax depreciable	851	1,665	838	(207)
Revaluation of land, buildings and improvements	-	3,058	3,058	(232)
Revaluation of plant & equipment	15,953	18,004	2,026	1,639
Adjustment to employee provision	43,794	35,802	(7,992)	14,350
Deferred tax assets	**237,622**	**197,776**		
Deferred tax income / (expense)			**(53,834)**	**55,626**
Sandhurst Trustees				
Deferred income tax liabilities				
Revaluations of investments	(116,875)	(20,999)	(4,953)	44,993
Revaluations of land & buildings to fair value	(154,510)	(161,347)	(6,837)	-
Deferred gains and losses on foreign exchange contracts	-	(2,197)	(2,197)	(1,119)
Deferred tax liabilities	**(271,385)**	**(184,543)**	**(13,987)**	**43,874**
Deferred tax assets				
Revaluations of foreign exchange contracts	177,024	139,247	(37,777)	(3,798)
Expenses tax depreciable				
Revaluation of land, buildings and improvements	796	1,582	807	(207)
Revaluation of plant & equipment	-	3,058	3,058	(232)
Adjustment to employee provision	15,953	18,004	2,026	1,639
Prepaid income	43,794	35,802	(7,992)	14,350
Deferred tax assets	**237,567**	**197,693**	(39,878)	11,752
Deferred tax income / (expense)			**(53,865)**	**55,626**

At 30 June 2006, there is no unrecognised deferred income tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries or associate, as the group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, the parent of Sandhurst Trustees, Bendigo Bank Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities 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 Bank Limited. There has not been any material effect on tax assets or liabilities as a result of the revised tax legislation. Bendigo 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.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 6 - Dividends paid and proposed				
Total interim fully franked dividends paid				
franked at tax rate of 30% (2005 - 30%)				
2006: $1.619 per share (2005: $1.374)	16,190,000	13,740,000	16,190,000	13,740,000

Franking credits have been allocated to the head entity of the tax consolidated group, Bendigo Bank Limited.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 7 - Cash and cash equivalents				
Cash at bank	-	303,671	-	303,671
Deposits at short call	3,080,577	2,470,899	3,080,577	2,470,899
	3,080,577	**2,774,570**	**3,080,577**	**2,774,570**

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 8 - Trade and other receivables				
Current				
Sundry debtors and accrued income	**4,722,931**	**3,313,141**	**4,722,931**	**3,313,141**
Non-current				
Other debtors	**326,105**	**566,490**	**326,105**	**566,490**

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 average maturity of 30 months

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 9 - Available-for-sale financial assets				
Current				
Deposits - other	-	333,961	-	333,961
	-	**333,961**	**-**	**333,961**
Non-current				
Shares -				
In controlled entities at cost	-	-	16	18
In listed corporations at market value	150,771	129,975	150,771	129,975
In other corporations at cost	20,000	20,000	20,000	20,000
	170,771	**149,975**	**170,787**	**149,993**

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

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 10 - Property, plant and equipment				
Leasehold improvements	-	11,381	-	11,381
Less accumulated amortisation	-	(11,381)	-	(11,381)
Total leasehold improvements	**-**	**-**	**-**	**-**
Plant and equipment at cost	1,122,434	1,307,869	1,122,434	1,307,869
Less accumulated depreciation	(968,842)	(1,134,113)	(968,842)	(1,134,113)
Total plant and equipment	**153,592**	**173,756**	**153,592**	**173,756**

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 10 - Property, plant and equipment (cont.)				
Reconciliation				
Plant and equipment				
Carrying amount at beginning	173,756	172,726	173,756	172,726
Additions	40,895	108,340	40,895	108,340
Disposals	(8,278)	(48,492)	(8,278)	(48,492)
Depreciation expense	(52,781)	(58,818)	(52,781)	(58,818)
Carrying amount at end	**153,592**	**173,756**	**153,592**	**173,756**

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 11 - Intangible assets				
Intangible software	381,597	561,525	381,597	561,525
Accumulated amortisation	(247,864)	(464,949)	(247,864)	(464,949)
Total intangible assets	**133,733**	**96,576**	**133,733**	**96,576**
Reconciliation				
Intangible software				
Carrying amount at beginning	96,576	119,651	96,576	119,651
Additions	113,780	56,051	113,780	56,051
Disposals	-	-	-	-
Amortisation expense	(76,623)	(79,126)	(76,623)	(79,126)
Carrying amount at end	**133,733**	**96,576**	**133,733**	**96,576**

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 12 - Other assets				
Current				
Prepayments	-	7,324	-	7,324

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 13 - Reserve Fund				
The assets from time to time comprising the Reserve Fund have been appropriated to that fund as required pursuant to section 36 of The Trustee Companies Act 1984 - Victoria. Section 38 of the Act provides that moneys in a Reserve Fund may be invested in any manner in which trust moneys may be invested by a trustee under the Trustee Act 1958. In addition to the powers of investment as prescribed above, a trustee company may invest moneys in its Reserve Fund in freehold land and buildings in the State.				
At balance date, the entity has invested Reserve Fund moneys in the following assets:				
Deposits at short call	4,814,554	5,111,178	4,814,554	5,111,178
Managed fund investments	3,822,170	3,000,000	3,822,170	3,000,000
Freehold land and buildings	1,366,032	1,388,822	1,366,032	1,388,822
TPTL share investment	497,244	-	497,244	-
	10,500,000	**9,500,000**	**10,500,000**	**9,500,000**

Deposits at short call and managed fund investments are carried at fair value and are items readily convertible into cash and generally repayable on demand. They are both regarded as available-for-sale assets. Freehold land and buildings are at directors' valuation (based on independent valuation at 30 June 2004). TPTL shares are measured at fair value, being quoted market price at balance date, and are regarded as available-for-sale assets.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 14 - Trade and other payables				
Trade creditors and accrued expenses	280,794	264,945	280,794	264,945
Amounts payable to ultimate parent entity	1,701,744	1,481,618	1,388,802	1,186,807
Tax liability attributable to ultimate parent entity	6,263,806	5,158,042	6,274,522	5,175,530
Current employee entitlements	682,310	516,265	682,310	516,265
	8,928,654	**7,420,870**	**8,626,428**	**7,143,547**

Terms and conditions:
All payables are non-interest bearing. Trade creditors and accrued expenses are normally settled on commercial 30 day terms. The amounts payable to the ultimate chief entity are non-interest bearing, with no set repayment date.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 15 - Provisions				
Employee entitlements				
Non Current	53,749	67,232	53,749	67,232
	53,749	**67,232**	**53,749**	**67,232**
Movements				
Employee Entitlements				
Opening balance	67,232	59,764	67,232	59,764
Additional provisions recognised	(13,483)	4,754	(13,483)	4,754
Amounts utilised during the year	-	2,714	-	2,714
Closing balance	**53,749**	**67,232**	**53,749**	**67,232**

Additional provisions recognised for the 2006 financial year is negative due to a change in entitlements allowing long service leave to be taken after 7 years of service. This has decreased from 10 years service in the prior year.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 16 - Contributed equity				
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 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.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 17 - Retained earnings				
Retained profits at the beginning of the financial year	4,028,784	3,700,987	4,306,041	3,916,533
Net profit attributable to members of the Company	16,601,860	13,950,656	16,626,790	14,012,367
Transfer (to) / from reserves	22,790	117,141	22,790	117,141
Dividends provided for or paid	(16,190,000)	(13,740,000)	(16,190,000)	(13,740,000)
Retained profits at the end of the financial year	**4,463,434**	**4,028,784**	**4,765,621**	**4,306,041**

Note 18 - Financial instruments

(a) Interest rate risk

The economic entity'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 and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate		Floating interest rate		Fixed interest maturing				Non interest bearing		Total carrying amount per Balance Sheet	
					Within 1 Year		1 to 5 Years					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	$	$	$	$	$	$	$	$	$	$
Financial assets												
Cash	0	0	-	-	-	-	-	-	3,080,577	2,774,570	3,080,577	2,774,570
Receivables	N/A	N/A	-	-	-	-	-	-	5,049,036	3,879,631	5,049,036	3,879,631
Deposits	5.52	5.3	4,814,554	5,445,139	-	-	-	-	-	-	4,814,554	5,445,139
Managed fund investments	N/A	N/A	-	-	-	-	-	-	3,822,170	3,000,000	3,822,170	3,000,000
Share investments	N/A	N/A	-	-	-	-	-	-	668,015	149,975	668,015	149,975
Total financial assets			**4,814,554**	**5,445,139**	**-**	**-**	**-**	**-**	**12,619,798**	**9,804,176**	**17,434,352**	**15,249,315**
Financial liabilities												
Payables	N/A	N/A	-	-	-	-	-	-	280,794	264,945	280,794	264,945
Bank loan unsecured	N/A	N/A	-	-	-	-	-	-	7,999,312	6,626,428	7,999,312	6,626,428
Total financial liabilities			**-**	**-**	**-**	**-**	**-**	**-**	**8,280,106**	**6,891,373**	**8,280,106**	**6,891,373**

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Balance sheet and Notes to the Financial Statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net fair values

The net fair values of listed investments is based on quoted market price at balance date. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity. All financial instruments are listed at fair value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the Notes to the Financial Statements.

Note 19 - Related party disclosures

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

(a) The parent entity is Bendigo Bank Limited.

(b) The parent entity has provided to Sandhurst Trustees Limited an interest free loan in connection with the payment of administration costs on behalf of the Company. The loan has no fixed repayment date.

		Net Receipts and fees received from Bendigo Bank Ltd	Supplies, Fixed Assets and service fees charged by Bendigo Bank Ltd	Net Amount Owing to Bendigo Bank Ltd
Sandhurst Trustees Ltd	2005	8,619,088	7,577,791	1,186,807
	2006	8,471,807	8,673,807	1,388,802
Bendigo Asset Management	2005	-	19,402	294,811
	2006	-	18,127	312,942

(c) The parent entity provides a standby funding facility of $20,000,000 ($20,000,000 - 2005) under normal commercial terms and conditions.
The facility is unsecured.

(d) The Company pays the parent entity an inter-company cross-charge, on normal terms and conditions, for the provision of administrative and support services - $2,461,954 ($2,006,534 - 2005).

Note 20 - Economic dependence

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

Note 21 - Ultimate parent entity

The parent entity is ultimately controlled by Bendigo Bank Limited (incorporated in Australia) which owns 100% of the issued ordinary shares of the ultimate parent entity.

Note 22 - Controlled entities

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

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

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Note 23 - Capital and leasing commitments				
Operating lease commitments				
Payable -				
Not later than 1 year	55,144	65,277	55,144	65,277
Later than 1 but not later than 5 years	56,265	111,464	56,265	111,464
Later than 5 years	-	-	-	-
	111,409	**176,741**	**111,409**	**176,741**

Operating lease commitment is a property lease with a term of 3 years.

Note 24 - Segment reporting

The economic entity operates in the trustee and financial services business segment where it offers specialised trustee and funds management services throughout Australia. The entity operates in the one geographical segment, within Australia.

Note 25 - Contingent liabilities and assets

The economic entity has no material contingent liabilities.

Note 25 - Contingent liabilities and assets (cont.)

Estate Administration

The company acts as executor and trustee for a significant number of trusts and estates. In this capacity, the company has incurred liabilities for which it has a right of indemnity out of the assets of those trusts and estates. Accordingly, these liabilities are not reflected in the financial statements.

Note 26 - Subsequent events

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 27 - Cash flow information				
(a) Reconciliation of cash				
Cash at end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:				
Cash on hand	3,080,577	303,671	3,080,577	303,671
Deposits at call	-	2,470,899	-	2,470,899
	3,080,577	**2,774,570**	**3,080,577**	**2,774,570**
(b) Reconciliation of net profit after tax to net cash flows from operations				
Net profit after income tax	16,601,860	13,950,656	16,626,790	14,012,367
Adjustments:				
Depreciation	75,571	81,606	75,571	81,606
Amortisation	76,623	79,126	76,623	79,126
Dividends Received	(259,251)	(124,511)	(259,251)	(124,511)
Interest Received	(662,475)	(394,150)	(662,475)	(394,150)
Revaluation of investments	-	(4,000)	-	(4,000)
Profits on investments sold	(166,580)	(510,806)	(166,580)	(510,806)
(Profit) / loss on sale of plant & equipment	8,278	-	8,278	-
Changes in assets and liabilities				
(Increase)/decrease in prepayments	7,324	52,667	7,324	6,498
(Increase)/decrease in receivables	(1,169,405)	(618,967)	(1,169,405)	(619,607)
(Increase)/decrease in deferred tax assets	(39,846)	11,780	(39,877)	11,752
(Decrease)/ increase in tax provision	1,004,935	2,267,902	998,164	2,258,580
(Decrease)/ increase in deferred tax liability	86,842	(14,970)	86,842	(1,120)
(Decrease)/ increase in accounts payable	15,849	127,277	15,849	127,277
(Decrease)/ increase in provisions	152,564	(35,171)	152,565	(35,171)
Net cash from operating activities	**15,732,289**	**14,868,439**	**15,750,418**	**14,887,841**
(c) Financing facilities available				
At balance date, the following financing facility had been negotiated and was available.				
Stand-by Australian dollar loan facility	20,000,000	20,000,000	20,000,000	20,000,000
(d) Non-cash financing and investing activities				
During the financial year no non-cash financing and investing activities occurred.				

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Note 28 - Employee benefits				
Employee benefits liability				
Provision for annual leave	341,733	263,387	341,733	263,387
Provision for long service leave	248,345	200,770	248,345	200,770
Provision for sick leave bonus	51,368	44,273	51,368	44,273
Provision for employee on costs	94,613	75,067	94,613	75,067
Aggregate employee benefits liability	**736,059**	**583,497**	**736,059**	**583,497**

Note 29 - Director and Executive Disclosures

The Directors Report contains details relating to the directors of Sandhurst Trustees Ltd.

The Key Management Personnel of Sandhurst Trustees Ltd are regarded to be those directors listed.

The compensation of Key Management Personnel is as follows:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Short Term Benefits	525,369	365,887	525,369	365,887
Post Employment Benefits	46,503	33,601	46,503	33,601
Other Long Term Benefits	16,791	-	16,791	-
Termination Benefits	-	-	-	-
Share-based Payments	28,254	22,211	28,254	22,211
Total	**616,917**	**421,699**	**616,917**	**421,699**

Note 30- Impact of Adoption of AIFRS

The following pages contain detailed reconciliations from previous AGAAP to AIFRS in accordance with AASB1, "First Time Adoption of Australian Equivalents to International Financial Reporting Standards."
Notes to the reconciliations are provided to explain the reason and impact of the changes on transition to AIFRS.

In accordance with AIFRS, the comparative information has been restated using the new accounting standards from 1 July 2004, with the exception of AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement". As permitted by the transitional provisions of AASB 1, management has elected not to apply these standards to the comparative information, and therefore apply them from 1 July 2005. Comparative information for financial instruments has been prepared on the basis of the economic entity's accounting policies under the previous AGAAP. The adjustments required on transition to AIFRS have been made retrospectively, with the majority being made against opening retained earnings, at the respective dates.

Balance Sheet Reconciliations as at 1 July 2004

		Consolidated $			Company $		
Balance Sheet Item	**Note**	**Previous AGAAP**	**Transition impact**	**AIFRS**	**Previous AGAAP**	**Transition impact**	**AIRFS**
Current assets							
Cash and cash equivalents		116,426	-	116,426	116,426	-	116,426
Trade and other receivables		2,521,882	-	2,521,882	2,521,242	-	2,521,242
Available-for-sale financial assets		4,002,541	-	4,002,541	4,002,539	-	4,002,539
Other		59,991	-	59,991	13,822	-	13,822
Total current assets		**6,700,840**	**-**	**6,700,840**	**6,654,029**	**-**	**6,654,029**
Non current assets							
Receivables		738,782	-	738,782	738,782	-	738,782
Available-for-sale financial assets		138,213	-	138,213	138,233	-	138,233
Property, plant & equipment		292,377	-	292,377	292,377	-	292,377
Intangible assets	(b)	8,386,400	(8,386,400)	-	8,386,400	(8,386,400)	-
Reserve fund		7,500,000	-	7,500,000	7,500,000	-	7,500,000
Total non current assets		**17,055,772**	**(8,386,400)**	**8,669,372**	**17,055,792**	**(8,386,400)**	**8,669,392**
Total assets		**23,756,612**	**(8,386,400)**	**15,370,212**	**23,709,821**	**(8,386,400)**	**15,323,421**
Current liabilities							
Payables	(c)	5,338,931	175,702	5,514,633	5,076,594	175,702	5,252,296
Provisions		512,803	-	512,803	512,803	-	512,803
Total current liabilities		**5,851,734**	**175,702**	**6,027,436**	**5,589,397**	**175,702**	**5,765,099**
Non current liabilities							
Provisions		105,865	-	105,865	105,865	-	105,865
Total non current liabilities		**105,865**	**-**	**105,865**	**105,865**	**-**	**105,865**
Total liabilities		**5,957,599**	**175,702**	**6,133,301**	**5,695,262**	**175,702**	**5,870,964**
Net assets		**17,799,013**	**(8,562,102)**	**9,236,911**	**18,014,559**	**(8,562,102)**	**9,452,457**
Equity							
Contributed equity		5,000,000	-	5,000,000	5,000,000	-	5,000,000
Reserves	(b) (c)	10,241,626	(9,705,702)	535,924	10,241,626	(9,705,702)	535,924
Retained profits	(d)	2,557,387	1,143,600	3,700,987	2,772,933	1,143,600	3,916,533
Total equity		**17,799,013**	**(8,562,102)**	**9,236,911**	**18,014,559**	**(8,562,102)**	**9,452,457**

	Consolidated as at 1 July 2004
Equity Under previous AGAAP	**17,799,013**
De-recognise Trustee Licence	(9,530,000)
Recognise tax effect of deferred assets & liabilities in relation to revaluations of fixed assets and share investments	(175,702)
Reinstate Amortisation of Trustee Licence to 30 June 2004	1,143,600
Equity Under AIFRS	**9,236,911**

	Company as at 1 July 2004
Equity Under previous AGAAP	**18,014,559**
De-recognise Trustee Licence	(9,530,000)
Recognise tax effect of deferred assets & liabilities in relation to revaluations of fixed assets and share investments	(175,702)
Reinstate Amortisation of Trustee Licence to 30 June 2004	1,143,600
Equity Under AIFRS	**9,452,457**

Balance Sheet Reconciliations as at 30 June 2005

		Consolidated $			Company $		
Balance Sheet Item	**Note**	**Previous AGAAP**	**Transition impact**	**AIFRS**	**Previous AGAAP**	**Transition impact**	**AIRFS**
Current assets							
Cash and cash equivalents		2,774,570	-	2,774,570	2,774,570	-	2,774,570
Trade and other receivables		3,313,141	-	3,313,141	3,313,141	-	3,313,141
Available-for-sale financial assets		333,961	-	333,961	333,961	-	333,961
Other		7,324	-	7,324	7,324	-	7,324
Total current assets		**6,428,996**	**-**	**6,428,996**	**6,428,996**	**-**	**6,428,996**
Non current assets							
Receivables		566,490	-	566,490	566,490	-	566,490
Available-for-sale financial assets		149,975	-	149,975	149,992	-	149,992
Property, plant & equipment		270,332	-	270,332	270,332	-	270,332
Intangible assets		8,195,800	(8,195,800)	-	8,195,800	(8,195,800)	-
Deferred tax asset		197,776	-	197,776	197,693	-	197,693
Reserve fund		9,500,000	-	9,500,000	9,500,000	-	9,500,000
Total non current assets		**18,880,373**	**(8,195,800)**	**10,684,573**	**18,880,307**	**(8,195,800)**	**10,684,507**
Total assets		**25,309,369**	**(8,195,800)**	**17,113,569**	**25,309,303**	**(8,195,800)**	**17,113,503**
Current liabilities							
Trade and other payables		7,420,870	-	7,420,870	7,143,547	-	7,143,547
Total current liabilities		**7,420,870**	**-**	**7,420,870**	**7,143,547**	**-**	**7,143,547**
Non current liabilities							
Provisions		67,232	-	67,232	67,232	-	67,232
Deferred tax liability		2,198	182,345	184,543	2,198	182,345	184,543
Total non current liabilities		**69,430**	**182,345**	**251,775**	**69,430**	**182,345**	**251,775**
Total liabilities		**7,490,300**	**182,345**	**7,672,645**	**7,212,977**	**182,345**	**7,395,322**
Net assets		**17,819,069**	**(8,378,145)**	**9,440,924**	**18,096,326**	**(8,378,145)**	**9,718,181**
Equity							
Contributed equity		5,000,000	-	5,000,000	5,000,000	-	5,000,000
Reserves		10,124,485	(9,712,345)	412,140	10,124,485	(9,712,345)	412,140
Retained profits		2,694,584	1,334,200	4,028,784	2,971,841	1,334,200	4,306,041
Total equity		**17,819,069**	**(8,378,145)**	**9,440,924**	**18,096,326**	**(8,378,145)**	**9,718,181**

	Consolidated as at 30 June 2005
Equity Under previous AGAAP	**17,819,069**
De-recognise Trustee Licence	(9,530,000)
Recognise tax effect of deferred assets & liabilities in relation to revaluations of fixed assets and share investments	(182,345)
Reinstate Amortisation of Trustee Licence to 30 June 2004	1,143,600
Reinstate Amortisation of Trustee Licence to 30 June 2005	190,600
Equity Under AIFRS	**9,440,924**

	Company as at 30 June 2005
Equity Under previous AGAAP	**18,096,326**
De-recognise Trustee Licence	(9,530,000)
Recognise tax effect of deferred assets & liabilities in relation to revaluations of fixed assets and share investments	(182,345)
Reinstate Amortisation of Trustee Licence to 30 June 2004	1,143,600
Reinstate Amortisation of Trustee Licence to 30 June 2005	190,600
Equity Under AIFRS	**9,718,181**

Income Statement reconciliations for the year ended 30 June 2005

		Consolidated $			Company $		
Income statement item	**Note**	**Previous AGAAP**	**Transition impact**	**AIFRS**	**Previous AGAAP**	**Transition impact**	**AIRFS**
Revenue from continuing operations		36,648,179	-	36,648,179	36,648,179	-	36,648,179
Other income		514,871	-	514,871	514,871	-	514,871
Bad & doubtful debts expense		(20)	-	(20)	(20)	-	(20)
Business promotions expense		(238,277)	-	(238,277)	(238,277)	-	(238,277)
Employee benefits expense		(2,849,171)	-	(2,849,171)	(2,848,129)	-	(2,848,129)
Occupancy expense		(510,443)	-	(510,443)	(510,443)	-	(510,443)
Property plant & equipment costs	(a)	(351,332)	190,600	(160,732)	(351,332)	190,600	(160,732)
Computer systems and software costs		(372,401)	-	(372,401)	(372,401)	-	(372,401)
Management fees and commissions paid		(10,036,581)	-	(10,036,581)	(10,036,581)	-	(10,036,581)
Administration expense		(2,608,035)	-	(2,608,035)	(2,551,102)	-	(2,551,102)
Other expense from ordinary activity		(330,020)	-	(330,020)	(283,700)	-	(283,700)
Profit from ordinary activities before income tax expense		**19,866,770**	**190,600**	**20,057,370**	**19,971,065**	**190,600**	**20,161,665**
Income tax expense relating to ordinary activities		6,106,714	-	6,106,714	6,149,298	-	6,149,298
Net profit from ordinary activities after income tax expense attributable to members of the Company		**13,760,056**	**190,600**	**13,950,656**	**13,821,767**	**190,600**	**14,012,367**

Notes to reconciliations:

Under IASB Standards, internally generated intangible assets that do not meet the criteria are required to be de-recognised. It is necessary to reverse any revaluations of intangible assets that do not represent fair value determinations by reference to an active market.

The intangible asset previously recognised in the accounts for the Trustee Licence doesn't meet certain criteria contained in the new IASB standards.
The following notes apply to the reconciliations above:

(a) Profit for the year ended 30 June 2005 was adjusted by the reversal of licence amortisation incurred during that year. Total positive impact on 30 June 2005 profit was $190,600.

(b) The Trustee licence at current value of $9,530,000 has been written back against Equity (Asset Revaluation Reserve).

Retained earnings from 1 July 2004 has been increased by $1,143,600 for the reversal of the licence amortisation to that date. Therefore total net impact on Intangible Assets is $8,386,400.

(c) AASB 1020 Income Tax requires a balance sheet approach rather than the previous income based methodology. This requires us to recognise the tax effect of Asset Revaluation Reserves and reflect the adjustment in deferred tax balances. The total impact was $182,345 as at 30 June 2005 ($161,346 Property Revaluation Reserve and $20,999 Share Revaluation Reserve)

(d) Retained earnings from 1 July 2004 has been increased by the reversal of the licence amortisation to that date. Total impact on opening retained earnings is $1,143,600.

Directors' declaration

Sandhurst Trustees Limited and
Controlled Entities Directors' declaration

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

1. In the opinion of the directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

This declaration is made in accordance with a resolution of the Board of Directors.

Ian G. Mansbridge

Chairman

Dated this 18th day of September 2006

Corporate Information

Directors
Ian G Mansbridge Chairman
Michael J Hirst
Gregory D Gillett
Marnie A Baker (appointed on 30 September 2005)
Timothy J Murphy (appointed on 11 January 2006)
Robert G Hunt (resigned 11 January 2006)

Joint Company Secretary
David A Oataway
Mark S Hall

Registered Office
Level 2
Fountain Court
BENDIGO Victoria 3550

Principal Business Address
18 View Street
BENDIGO Victoria 3550

Other Locations
Level 5, 120 Harbour Esplanade
DOCKLANDS Victoria 3008

Suite 2, Level 4
99 Elizabeth Street
SYDNEY New South Wales 2000
GPO Box 4182
SYDNEY New South Wales 2001

Internet Address
www.sandhursttrustees.com.au

Auditors
Ernst & Young

ERNST & YOUNG

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Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Independent audit report to members of Sandhurst Trustees Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Sandhurst Trustees Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

ERNST & YOUNG

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report.

Audit opinion
In our opinion the financial report of Sandhurst Trustees Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Sandhurst Trustees Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
18 September 2006