

# Sandhurst Investment Term Fund

ARSN 090 908 660

Annual Report 2024

The responsible entity and issuer of this product is Sandhurst Trustees Limited ABN 16 004 030 737 AFSL 237906  
a subsidiary of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

**Sandhurst Trustees**

This page intentionally left blank

# **Sandhurst Investment Term Fund**

## **Financial Report**

**(ARSN 090 908 660)**

For the year ended 30 September 2024

## Contents

Directors' report	3 - 4	<b>Responsible Entity</b> Sandhurst Trustees Limited AFSL 237906 ABN 16 004 030 737
Auditor's Independence Declaration	5	
Statement of Comprehensive Income	6	The Bendigo Centre Bendigo, VIC, 3550 Telephone: (03) 5485 6776 Facsimile: (03) 5485 7624
Statement of Financial Position	7	
Statement of Changes in Net Assets Attributable to Investors	8	<b>Secretary of the Responsible Entity</b> Susan Kamler
Statement of Cash Flows	9	<b>Financial Report Auditor</b> Ernst & Young Ernst & Young Building 8 Exhibition Street Melbourne, VIC, 3000
Notes to the Financial Statements	10 - 20	
Directors' Declaration	21	<b>Administration</b> Sandhurst Trustees Limited Level 5, 120 Harbour Esplanade Docklands, VIC, 3008 Telephone: 1800 634 969 Facsimile: 1800 835 800
Independent Auditor's Report	22 - 23	



## Directors' Report

The Directors of Sandhurst Trustees Limited (the Responsible Entity), present this report, together with the financial statements of the Sandhurst Investment Term Fund (the Fund) for the year ended 30 September 2024.

### Directors

The name of each person who has been a director of Sandhurst Trustees Limited, during the financial year and to the date of this report are:

Margaret Payn	Chair, Non-executive Director	(Appointed 15 August 2024)
Vicki Carter	Chair, Non-executive Director	(Resigned 15 August 2024)
Richard Baker	Non-executive Director	
Alexandra Tullio	Non-executive Director	
Luke Davidson	Executive Director	

### Secretary of the Responsible Entity

The name of the Company Secretary at the end of the financial year and at the date of this report is:  
Susan Kamler.

### Principal activity

The principal activity of the Fund during the year was to provide a fixed term investment with regular income, capital stability and competitive returns across a choice of investment terms and rates. The Fund invests in a select portfolio of Australian first registered mortgages, residential mortgage-backed securities (RMBS) and other interest rate securities.

No significant change in the nature of this activity occurred during the year.

### Managed investment scheme

The Fund is a managed investment scheme registered by the Australian Securities and Investments Commission in accordance with the *Corporations Act 2001*. The Fund issued its first offer document on 3 October 1988.

### Review of Results and Operations

#### Operating results

	2024 \$'000	2023 \$'000
Net profit/(loss) attributable to investors (before finance costs)	24,974	12,851
Distributions to investors for the year ended 30 September (distributed to investors as interest income)	25,170	13,474

#### Performance

The performance of the Fund during the periods are summarised in the following table.

	Current Anticipated Returns on maturity			
	1 year	3 year	4 year	5 year
	%	%	%	%
Return (p.a.)	4.20	3.90	3.95	4.00

#### Total assets

	2024 \$'000	2023 \$'000
Value of total Fund assets	609,019	504,146

The value of the Fund's assets as at the end of the financial year is disclosed in the Statement of Financial Position as total assets and the basis of valuation is disclosed in Note 2 to the financial statements.

### Environmental, social and governance (ESG)

Sandhurst does not have a predetermined view of what encompasses an ESG consideration in respect of the Fund. ESG issues are considered as part of the credit review process, however Sandhurst has not excluded any particular investments as a result of ESG considerations.

### Significant changes in state of affairs

No significant changes in the Fund's state of affairs occurred during the year.

### Significant events after the reporting date

There has been no matter or circumstance that has arisen since the end of the financial year that significantly affected, or may affect, the Fund's operation in future financial years, the results of those operations or the Fund's state of affairs in future financial years.

### Likely developments and expected results

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives as detailed in the most recent Product Disclosure Statement.

### Options

No options over interests in the Fund were granted during or since the end of the year and there were no options outstanding at the date of this report.

**Directors' Report (continued)**

**Indemnities and insurance premiums for officers or auditors**

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

During the financial year each director and officer of the Responsible Entity was insured against liability and legal expenses incurred in their respective capacities. This insures against certain liability (subject to specified exclusions) for persons who are or have been directors of the Responsible Entity or executive officers of the Responsible Entity.

The Responsible Entity has not provided any insurance to a related body corporate or to an auditor of the Responsible Entity.

**Proceedings on behalf of the Fund**

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the year.

**Environmental regulation and expected results**

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

**Rounding**

The amounts contained in the financial report and the Directors' Report have been rounded off under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Fund is an entity to which the legislative instrument applies, and in accordance with that instrument, amounts in the Directors' Report and the financial report have been rounded to the nearest thousand dollars (where rounding is appropriate).

**Interests of the Responsible Entity**

The interests in the Fund held by the Responsible Entity as at the end of the year are disclosed in Note 11 to the financial statements.

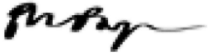
The following fees were payable to Sandhurst Trustees Limited and its associates out of the Fund during the financial year:

	<b>2024</b>	2023
	<b>\$'000</b>	\$'000
Management fees paid/payable to the Responsible Entity	<b>6,303</b>	9,262

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration is set out on the following page.

Signed in accordance with a resolution of the Board of Directors.



Margaret Payn  
Chair  
11 December 2024



**Building a better  
working world**

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

## **Auditor's Independence Declaration to the Directors of Sandhurst Trustees Limited, as Responsible Entity for the Sandhurst Investment Term Fund**

As lead auditor for the audit of the financial report of Sandhurst Investment Term Fund for the financial year ended 30 September 2024, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Hayley Watson', written in a cursive style.

Hayley Watson  
Partner  
Melbourne  
11 December 2024

## Statement of Comprehensive Income

For the year ended 30 September 2024

	Note	2024 \$'000	2023 \$'000
<b>Income</b>			
Interest income			
Mortgage loans		7,062	6,544
Negotiable certificates of deposit		3,924	2,901
Term deposit		1,638	778
Residential mortgage-backed securities		18,392	12,381
Other interest bearing deposits		819	481
Net losses on financial instruments at fair value through profit or loss		(250)	(550)
Other income		(1)	1
		<u>31,584</u>	<u>22,536</u>
<b>Expenses</b>			
Management fees	11(c)	(6,303)	(9,262)
Loan originator management fees		(323)	(316)
Audit fees	12	(20)	(19)
Collective provision (charge)/reversal		47	(67)
Other expenses		(11)	(21)
		<u>(6,610)</u>	<u>(9,685)</u>
<b>Net profit attributable to investors (before finance costs)</b>		<b>24,974</b>	12,851
<b>Finance costs</b>			
Distributions to investors		<u>(25,170)</u>	<u>(13,474)</u>
<b>Change in net assets attributable to investors</b>		<b>(196)</b>	(623)

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

## Statement of Financial Position

As at 30 September 2024

	Note	2024 \$'000	2023 \$'000
<b>Assets</b>			
Cash and cash equivalents	3	45,661	24,067
Other receivables	4	483	157
Financial assets at amortised cost	5	562,681	479,447
Derivatives		194	475
<b>Total assets</b>		<b>609,019</b>	504,146
<b>Liabilities</b>			
Other payables	6	29	980
Distribution payable	6	540	377
Derivatives		44	75
<b>Total liabilities (excluding net assets attributable to investors)</b>		<b>613</b>	1,432
<b>Net assets attributable to investors (Liability)</b>		<b>608,406</b>	502,714
<b>Represented by:</b>			
Investors funds		608,406	502,714
<b>Net assets attributable to investors (Liability)</b>		<b>608,406</b>	502,714

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

## Statement of Changes in Net Assets Attributable to Investors

For the year ended 30 September 2024

	<b>2024</b>	2023
	<b>\$'000</b>	\$'000
<b>Opening balance</b>	<b>502,714</b>	500,315
Net profit attributable to investors (before finance costs)	<b>24,974</b>	12,851
Applications	<b>396,362</b>	234,415
Redemptions	<b>(290,474)</b>	(231,393)
Distribution to investors	<b>(25,170)</b>	(13,474)
<b>Closing balance</b>	<b>608,406</b>	502,714
<b>Net assets attributable to investors</b>	<b>608,406</b>	502,714

The above Statement of Changes in Net Assets Attributable to Investors should be read in conjunction with the accompanying notes to the financial statements.

**Statement of Cash Flows**  
 For the year ended 30 September 2024

	<b>Note</b>	<b>2024</b> <b>\$'000</b>	<b>2023</b> <b>\$'000</b>
<b>Cash flows from operating activities</b>			
Interest income received		<b>31,651</b>	23,049
Other income received		-	1
Management fees paid		<b>(7,396)</b>	(8,633)
Other expenses paid		<b>(355)</b>	(337)
(Purchases)/proceeds of investment securities net of maturities		<b>(39,602)</b>	3,838
Purchases of residential mortgage-backed securities		<b>(212,717)</b>	(106,833)
Proceeds from the maturity of residential mortgage-backed securities		<b>166,271</b>	91,619
Net movement in mortgage loans		<b>2,861</b>	21,987
<b>Net cash (used in)/provided by operating activities</b>	<b>7(c)</b>	<b>(59,287)</b>	24,691
<b>Cash flows from financing activities</b>			
Proceeds from applications by investors		<b>396,362</b>	234,415
Payments for redemptions by investors		<b>(290,474)</b>	(231,393)
Distributions paid to investors		<b>(25,007)</b>	(13,251)
<b>Net cash provided by/(used in) financing activities</b>		<b>80,881</b>	(10,229)
<b>Net increase in cash and cash equivalents</b>		<b>21,594</b>	14,462
Cash at the beginning of the financial year		<b>24,067</b>	9,605
<b>Cash at the end of the financial year</b>	<b>7(a)</b>	<b>45,661</b>	24,067

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

## Notes to the Financial Statements

### 1. Corporate information

The financial report of the Fund for the year ended 30 September 2024 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 11 December 2024.

The Fund is constituted by deed (the Constitution) dated 12 October 1992, as amended. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The nature of operations and principal activities of the Fund are described in the Directors' Report.

### 2. Summary of material accounting policies

#### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on the basis of historical costs, except for the valuation of financial instruments, with details of measurement provided below.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Additional information regarding this is included in the relevant notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Fund under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The Fund is a for-profit entity for the purpose of preparing financial statements.

#### (b) Statement of compliance

The financial reporting complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### (c) Changes in Accounting Policy

##### *New and amended standards and interpretations*

The Fund applied for the first time, certain standards and amendments, which are effective for the year ended 30 September 2024. These did not have a material impact on the financial statements for the year ended 30 September 2024.

##### *Recently issued or amended standards not yet effective*

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2024. These have not been applied by the Fund in preparing these financial statements. Unless otherwise indicated below, these are not expected to have a material impact on the Fund's financial statements.

##### AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 *Presentation and Disclosure in Financial Statements* was issued in June 2024 and will be effective for the Fund on 1 October 2027. AASB 18 replaces AASB 101 *Presentation of Financial Statements* as the standard describing financial statements and setting out requirements for the presentation and disclosure of information in financial statements. Amongst other changes, it introduces the concept of the "management-defined performance measures" to financial statements and requires the classification of transactions presented within the statement of profit or loss within one of five categories – operating, investing, financing, income taxes, and discontinued operations. Although the new Standard is not expected to have a material impact on the recognition or measurement policies of the Fund, it is expected to have an impact on how the Fund presents and discloses financial performance in its financial statements.

#### (d) Financial Instruments

##### *(i) Classification*

##### **Financial assets**

The Fund classifies its financial assets in the following measurement categories:

- > those measured at fair value through profit or loss; and
- > those measured at amortised cost

The Fund classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

##### *Financial instruments at amortised cost*

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.
- > 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.

For cash and cash equivalents, other receivables, mortgage loans, negotiable certificates of deposit, term deposits and residential mortgage-backed securities, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these assets are measured at amortised cost.

##### **Financial liabilities**

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable and management fees payable).

##### *Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

##### *(ii) Measurement*

##### **Financial instruments at fair value through profit or loss**

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the Statement of Comprehensive Income in the period in which they arise.



**Notes to the Financial Statements (continued)**

**2 Summary of material accounting policies (continued)**

**Financial instruments at amortised cost**

Financial assets and financial liabilities at amortised cost are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process. This includes residential mortgage-backed securities, negotiable certificates of deposit, term deposits and mortgage loans.

The effective interest rate method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in the Statement of Comprehensive Income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Derecognition occurs when the Fund transfers a financial asset and is no longer exposed to substantially all of the risks and rewards of the asset. Where the Fund neither retains nor transfers substantially all of the risks and rewards of the financial asset, derecognition occurs when the Fund no longer controls the asset.

*(iii) Impairment*

At each reporting date, the Fund measures the loss allowance on financial assets at amortised cost according to a three-stage approach based on the extent of credit deterioration since origination.

- > Stage 1 - Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial asset, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months.
- > Stage 2 - When a financial asset experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial asset.
- > Stage 3 - Financial assets that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation and default in payments are all considered indicators that there may have been a SICR.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

*(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position, when the Fund has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the Statement of Financial Position.

**(e) Derivative financial instruments**

The Fund uses derivative financial instruments, such as interest rate swap contracts, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value, with fair value movements being recorded through profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**(f) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents, in the Statement of Financial Position comprise cash on hand, demand deposits, short term deposits in banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts when applicable. The net position of all Fund transactions undertaken by the Bendigo and Adelaide Bank is settled daily in arrears via the treasury settlement account.

**(g) Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

*Interest income*

Interest income from all interest-bearing financial instruments is recognised using the effective interest rate method.

**(h) Expenses**

All expenses are recognised in the Statement of Comprehensive Income as the relevant service is rendered, or once a liability is incurred.

**(i) Other receivables**

Other receivables are recognised and carried at the nominal amount, less a provision for any uncollectible debts. All receivables are non-interest bearing and are generally received within 30 or 90 days of being recorded as receivables.

**(j) Other payables**

Other payables are carried at 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 Fund. Payables are non-interest bearing and include outstanding settlements on the purchase of investments and the distribution payable. The carrying period is dictated by market conditions and is generally less than 30 days.

**(k) Distributions paid /payable**

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to investors. Distributions are payable at the end of each quarter. Such distributions are determined by reference to the taxable income of the Fund. Distributions to investors are recognised in the Statement of Comprehensive Income as finance costs.

**Notes to the Financial Statements (continued)**

**2. Summary of material accounting policies (continued)**

**(l) Income tax**

Under current legislation, the Fund is not subject to income tax provided the investors are presently entitled to the income of the Fund and the Fund fully distributes its net taxable income.

**(m) Goods and services tax (GST)**

Income, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.

Expenses incurred by the Fund are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO). Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables 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.

**(n) Material accounting judgments and estimates**

The preparation of the Fund's financial statements requires management to make material judgements, estimates and assumptions in relation to the items below. Material accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated.

*(i) Measurement of expected credit losses*

The Fund's allowance for credit losses calculation is an output of credit risk models with a number of underlying assumptions and judgements regarding the choice of variable inputs and their interdependencies. The judgements, estimates and assumptions have been made by management with reference to various sources of internal and external information, as well as consideration to specific industry exposures. The accounting policy for the calculation of loan impairment losses is disclosed in Note 5.

*(ii) Fair value measurement of financial instruments*

The fair value of financial assets and financial liabilities recorded in the Statement of Financial Position, is derived from both active markets and valuation techniques for which the lowest level input that is significant to the fair value measurement, is directly or indirectly observable.

For financial instruments quoted in an active market (level 1 in the fair value hierarchy), the market price at measurement date provides the most reliable evidence of fair value. When fair value is based on observable inputs other than quoted prices included in Level 1, that are observable for the asset or liability (level 2 in the fair value hierarchy), the quoted price at the measurement date provides the most reliable input. Where there is limited market data that is observable (level 3 in the fair value hierarchy), interest rate yields which are developed from publicly quoted rates provides the most reliable input.

**(o) Functional and presentation currency**

The Fund's functional and presentation currency is the Australian Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

**(p) Capital management**

The Responsible Entity manages its net assets attributable to investors as capital; not withstanding net assets attributable to investors is classified as a liability. The amount of net assets attributable to investors can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of investors.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Fund.

**(q) Net assets attributable to investors**

Non-distributable income is retained in net assets attributable to investors and may consist of unrealised changes in the net fair value of derivatives, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible. Accrued income not yet assessable will be included in the determination of distributable income in the same year as it becomes assessable for tax. Movements in net assets attributable to investors are recognised in the Statement of Comprehensive Income as finance cost.

**(r) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**3. Cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<b>338</b>	3,247
11AM call deposits	<b>40,136</b>	20,820
Short term deposits less than 3 months	<b>5,187</b>	-
	<b>45,661</b>	24,067

**4. Other receivables**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Sundry debtors	<b>38</b>	39
Accrued interest	<b>301</b>	118
Cash settlement receivable	<b>144</b>	-
	<b>483</b>	157

All receivables are not past due 30 days and are not impaired.

Notes to the Financial Statements (continued)

5. Financial assets at amortised cost

	2024	2023
	\$'000	\$'000
<b>Financial assets at amortised cost</b>		
Residential mortgage-backed securities (RMBS)	328,566	281,975
Negotiable certificates of deposit	103,876	55,542
Term deposits	22,589	31,475
Mortgage loans	107,650	110,455
	<b>562,681</b>	<b>479,447</b>

All investments above are reported net of provisions and prepaid interest

	2024	2023
	\$'000	\$'000
<b>Loss provision reconciliation</b>		
Opening balance	291	224
Collective provision charge/(reversal)	(47)	67
Closing balance	<b>244</b>	<b>291</b>

Maturity Analysis

	Past Due	At Call	Not longer than 3 months	Between 3 months and 12 months	Between 1 year and 5 years	Longer than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 September 2024</b>							
RMBS, NCD's and Term Deposits	-	-	116,182	139,448	192,982	6,419	455,031
Mortgage loans	2,503	-	13,027	19,630	60,407	12,083	107,650
	<b>2,503</b>	<b>-</b>	<b>129,209</b>	<b>159,078</b>	<b>253,389</b>	<b>18,502</b>	<b>562,681</b>
<b>As at 30 September 2023</b>							
RMBS, Negotiable Certificates of Deposit and Term Deposits	-	-	80,497	94,457	194,038	-	368,992
Mortgage loans	2,644	-	8,813	25,154	61,493	12,351	110,455
	2,644	-	89,310	119,611	255,531	12,351	479,447

^Maturity analysis is based on contracted maturity date of each investment security or mortgage loan.

Loans in arrears analysis	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total	% of loans
	\$'000	\$'000	\$'000	\$'000	\$'000	%
As at 30 September 2024	335	2,168	-	-	2,503	2.33%
As at 30 September 2023	1,258	1,386	-	-	2,644	2.39%

Impairment of financial instruments

Financial assets at amortised cost

(a) Residential mortgage-backed securities, negotiable certificates of deposit and term deposits

The approach taken to determine a Collective Provision for the financial assets at amortised cost are based on standard credit risk modelling. The probability of default (PD) is derived by mapping each facility's rating to Standard and Poors (S&P) data and using the long-term or 12 month Probability of Default (PD) provided by S&P. Appropriate assumptions are made to estimate Loss Given Default (LGD) for each facility. The Collective Provision for a facility is then determined as the PD multiplied by LGD multiplied by the financial assets value.

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the estimated life if the facility has not been previously derecognised and is still in the Fund.

EAD - the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

(b) Mortgage loans

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination and aligned with AASB 9 Financial Instruments.

Expected credit loss model (ECL)

The Fund's allowance for credit losses is outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial asset depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Fund's expectations of future events have been based on a range of plausible scenarios and are believed to be reasonable and supportable. Under the circumstances, however, it is recognised that uncertainty still exists and actual results may differ from these estimates.

The Fund incorporates past, current and forward looking economic conditions when estimating expected losses and applies a three stage approach to measuring ECLs. The three stages are as follows:

- > **Stage 1:** 12 month ECL, if the credit risk of the asset at the reporting date has not increased significantly since initial recognition;
- > **Stage 2:** lifetime ECL of assets which are considered to have experienced a significant increase in credit risk. Interest is accrued on the gross carrying value;
- > **Stage 3:** lifetime ECL of assets which are considered impaired. Interest is calculated on the net carrying value which takes into account any impairment.

Provision for expected credit losses (collective provision) on Financial assets at amortised cost

The Fund's ECL model relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, central bank interest rates, and house-price indices. These macroeconomic factors have been updated to reflect subdued growth in domestic final demand with weakness most pronounced in the household sector. The Fund's base case economic forecast scenario expects annual GDP growth to slow to 0.8% for the June 2024 quarter, with growth above 2% only returning by September 2025. Interest rates are forecasted to remain at the current level of 4.35% up to June 2025 while the unemployment rate is expected to gradually increase, peaking at 5.2% in December 2025. Below average growth is forecasted for house prices over the next 2 years while commercial property prices are expected to remain under pressure for the next 12 months, especially city office spaces. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

**Notes to the Financial Statements (continued)**

**5. Financial assets at amortised cost (continued)**

The following table shows the Fund's provisioning of Financial assets at amortised cost as 30 September 2024:

As at 30 September 2024 Financial assets at amortised cost	Collective provision				Total ECL provision \$'000	Amortised cost \$'000
	Gross amount \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000		
Residential mortgage-backed securities	328,586	(20)	-	-	(20)	328,566
Negotiable certificates of deposit	103,883	(7)	-	-	(7)	103,876
Term deposits	22,598	(9)	-	-	(9)	22,589
Mortgage loans	107,858	(62)	(29)	(117)	(208)	107,650
	<b>562,925</b>	<b>(98)</b>	<b>(29)</b>	<b>(117)</b>	<b>(244)</b>	<b>562,681</b>

The following table shows the Fund's provisioning of Financial assets at amortised cost as 30 September 2023:

As at 30 September 2023 Financial assets at amortised cost	Collective provision				Total ECL provision \$'000	Amortised cost \$'000
	Gross amount \$'000	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000		
Residential mortgage-backed securities	281,991	(16)	-	-	(16)	281,975
Negotiable certificates of deposit	55,547	(5)	-	-	(5)	55,542
Term deposits	31,481	(6)	-	-	(6)	31,475
Mortgage loans	110,719	(59)	(102)	(103)	(264)	110,455
	479,738	(86)	(102)	(103)	(291)	479,447

At each reporting date, the Fund makes an assessment as to whether there has been a significant increase in credit risk for financial assets since initial recognition will be made by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

**6. Other payables and distribution payable**

	2024 \$'000	2023 \$'000
Distribution payable	540	377
Sundry creditors and accrued expenses	29	31
Cash settlement payable	-	949
	<b>569</b>	<b>1,357</b>

**7. Notes to the Statement of Cash Flows**

	2024 \$'000	2023 \$'000
<b>(a) Reconciliation of cash</b>		
Cash at bank	338	3,247
11AM call deposits	40,136	20,820
Short-term deposits less than 3 months	5,187	-
	<b>45,661</b>	<b>24,067</b>
<b>(b) Cash flows presented on a net basis</b>		

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (i) sales and purchases of dealing investments; and
- (ii) mortgage loans advanced and repaid.

**(c) Reconciliation of changes in net assets attributable to investors to net cash provided by operating activities**

<b>Changes in net assets attributable to investors</b>	<b>(196)</b>	(623)
Distributions to investors	25,170	13,474
Net gains on financial instruments at fair value through profit or loss	250	550
Collective provision charge/(release)	(47)	67
Purchases/(redemptions) of investment securities net of maturities	(39,602)	3,838
Purchases of residential mortgage-backed securities	(212,717)	(106,833)
Proceeds from the maturity of residential mortgage-backed securities	166,271	91,619
Net movement in mortgage loans	2,861	21,987
(Increase)/decrease in other receivables	(326)	474
Increase/(decrease) in other payables	(951)	138
<b>Net cash provided by operating activities</b>	<b>(59,287)</b>	<b>24,691</b>

Notes to the Financial Statements (continued)

## 8. Financial risk management objectives and policies

Risks arising from holding financial instruments are inherent in the Fund's activities. They are managed through a process of ongoing identification, measurement and monitoring. The Fund has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Fund's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk.

Financial instruments of the Fund comprise of investments in financial assets for the purpose of generating a return on the investment made by investors.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. This is done through a combination of techniques and controls, including the use of hedging and the development of strict lending criteria for mortgage loans.

### (a) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. In the case of mortgage loans, credit risk is the risk that the borrower is unable to pay all or some of the contracted loan and interest payments.

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

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. The Fund minimises its exposure to credit risk on derivatives by only trading with credit graded financial institutions and has limits on the level of instruments that it holds with each counterparty.

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

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 September 2024 and 30 September 2023, cash and cash equivalents and other receivables are held with counterparties with a credit rating of BBB/BBB+ or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Concentration of credit risk is minimised by ensuring all counterparties are approved, credit limits are approved and adhered to, and ensuring that transactions are undertaken with a number of counterparties. As at 30 September 2024, the Fund had \$45,425,056 (2023: \$42,773,020) on deposit with Bendigo and Adelaide Bank on normal commercial terms and conditions, representing 7% (2023: 9%) of the Fund's net assets.

All investments are investment grade credit rated securities other than originated loans which are ungraded. The Fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Fund, except for the funds on deposit with the Bendigo and Adelaide Bank as disclosed in Note 11(c). The largest single borrower in the Fund represents 1% of total assets. (2023: 1%).

Credit risk is not considered to be significant to the Fund except in relation to investments in mortgage loans. Mortgage credit risk is managed by having in place strict lending criteria including ensuring appropriate security is in place to endeavour to cover potential mortgage defaults.

The credit quality of financial assets at amortised cost (aside from mortgage loans) is managed by the Fund using internal analysis and external credit ratings where over 60% of the portfolio is categorised as high grade, with the remainder as investment grade, none are: sub-investment grade, unrated, past due or impaired. Mortgage loans, mostly commercial loans, are secured mortgage loans over property and are rated internally on an individual basis.

### (i) Impairment

#### *Past due not impaired mortgages*

Mortgages where contractual interest or principal payments are past due but impairment is not deemed appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

#### *Definition of default*

The Fund considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument, that can be reliably estimated. This includes events that indicate:

- > significant financial difficulty of the borrower;
- > default or delinquency in interest or principal payments;
- > high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- > measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Fund considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

#### *Write-off policy*

The Fund writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the Statement of Comprehensive Income.

#### *Forward-looking information*

In its ECL model, the Fund relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, central-bank interest rates, and house-price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. Commercial property growth rates have specifically been used in the calculations to the overlay included in this model.

### (b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its short-term payment commitments.

Mortgage loans are relatively illiquid compared to some other assets classes and delays may occur in converting these investments into cash. This may affect distributions and/or redemptions to investors. The Responsible Entity minimises liquidity risk by holding a percentage of the total assets of the Fund in liquid investments, such as cash and negotiable certificates of deposit. The Fund's policy is to hold a minimum of 10% of assets in liquid investments. Quarterly and annual cashflow forecasting is also used to help monitor future cash flow requirements. Short-term borrowings may also be used by the Fund to meet short-term cash flow commitments.

**Notes to the Financial Statements (continued)**

**8. Financial risk management objectives and policies (continued)**

**(i) Maturity analysis for financial liabilities**

Financial liabilities of the Fund comprise of sundry creditors and accrued expenses and net assets attributable to investors. All sundry creditors and accrued expenses have no contractual maturities but are normally settled on commercial 30 day terms.

There is a risk that redemption proceeds will not be paid within a reasonable period after the initial investment term. The Responsible Entity shall satisfy redemption requests as soon as practicable (generally within 48 hours, but not more than 12 months under the constitution). However, redemption requests may be delayed or refused if in the Responsible Entity's reasonable opinion it is in the best interests of investors as a whole to do so. Investors will only have limited rights to redeem if the Fund does not satisfy the liquidity test in the Corporations Act 2001.

<b>As at 30 September 2024</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>4 to 12 months \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Overdue \$'000</b>	<b>Total \$'000</b>
<b>Financial liabilities</b>							
Other payables	29	-	-	-	-	-	29
Derivatives*	194	2	(101)	(51)	-	-	44
Distribution payable	540	-	-	-	-	-	540
Net assets attributable to investors	608,406	-	-	-	-	-	608,406
<b>Total financial liabilities</b>	<b>609,169</b>	<b>2</b>	<b>(101)</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>609,019</b>
*Notional amount of derivatives	-	103,000	54,000	13,000	-	-	170,000

**As at 30 September 2023**

<b>Financial liabilities</b>							
Other payables	980	-	-	-	-	-	980
Derivatives*	475	28	32	(460)	-	-	75
Distribution payable	377	-	-	-	-	-	377
Net assets attributable to investors	502,714	-	-	-	-	-	502,714
<b>Total financial liabilities</b>	<b>504,546</b>	<b>28</b>	<b>32</b>	<b>(460)</b>	<b>-</b>	<b>-</b>	<b>504,146</b>
*Notional amount of derivatives	-	52,000	7,000	9,900	-	-	68,900

**(c) Market risk**

Market risk is the risk that market prices, such as interest rates and property prices, will affect the Fund's income or its holdings of financial instruments or underlying securities over mortgage loans. Market risk relates to the performance of the market as a whole impacting on the Fund's investment returns. Factors that can influence the market include economic, technological, political, taxation, legal conditions and market sentiment. Changes in such conditions can affect the ability of a borrower to repay a loan, the value of property held as security or the value of fixed interest securities, which in turn may impact the value and return of the Fund.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters. The Responsible Entity attempts to minimise market risk ensuring the investment portfolio has a short duration, is well diversified and is managed within designated parameters and policies.



**Notes to the Financial Statements (continued)**

**8. Financial risk management objectives and policies (continued)**

**(i) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the values of interest-bearing financial instruments. The Responsible Entity attempts to minimise interest rate risk by using economic hedging to offset the variability that is inherent in its book.

The table below summarises the Fund's exposure to interest rate risks at the reporting date before hedging. It includes the Fund's assets and liabilities categorised by the repricing periods. The mismatch in the period of pricing assets and liabilities is managed as part of the overall asset and liability management process.

As at 30 September 2024	Fixed interest rate					Non-interest bearing \$'000	Total \$'000
	Floating interest rate \$'000	Less than 1 month \$'000	1 to 3 months \$'000	4 to 12 months \$'000	Over 12 months \$'000		
<b>Financial assets</b>							
Cash and cash equivalents	45,661	-	-	-	-	-	45,661
Other receivables	-	-	-	-	-	483	483
Financial assets at amortised cost	328,566	19,968	45,288	61,209	-	-	455,031
Mortgage loans	14,204	42,701	11,849	5,594	33,302	-	107,650
Derivatives	-	-	-	-	-	194	194
<b>Total financial assets</b>	<b>388,431</b>	<b>62,669</b>	<b>57,137</b>	<b>66,803</b>	<b>33,302</b>	<b>677</b>	<b>609,019</b>
<b>Financial liabilities</b>							
Other payables	-	-	-	-	-	29	29
Distribution payable	-	-	-	-	-	540	540
Derivatives	-	-	-	-	-	44	44
Net assets attributable to investors	-	-	-	-	-	608,406	608,406
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>609,019</b>	<b>609,019</b>
<b>As at 30 September 2023</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24,067	-	-	-	-	-	24,067
Other receivables	-	-	-	-	-	157	157
Financial assets at amortised cost	281,975	18,731	36,462	31,824	-	-	368,992
Mortgage loans	20,644	41,174	11,465	18,417	18,755	-	110,455
Derivatives	-	-	-	-	-	475	475
<b>Total financial assets</b>	<b>326,686</b>	<b>59,905</b>	<b>47,927</b>	<b>50,241</b>	<b>18,755</b>	<b>632</b>	<b>504,146</b>
<b>Financial liabilities</b>							
Other payables	-	-	-	-	-	980	980
Distribution payable	-	-	-	-	-	377	377
Derivatives	-	-	-	-	-	75	75
Net assets attributable to investors	-	-	-	-	-	502,714	502,714
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,146</b>	<b>504,146</b>

As at 30 September 2024 the open interest rate swaps' cash flows are expected to occur and affect the Statement of Comprehensive Income as follows:

	Within 1 year \$'000	1 to 3 years \$'000	3 to 8 years \$'000	Over 8 years \$'000	Total \$'000
<b>30 September 2024</b>					
Cash inflows (assets)	2,110	-	-	-	2,110
Cash outflows (liabilities)	(2,226)	(208)	-	-	(2,434)
Net cash inflow	(116)	(208)	-	-	(324)
Accrued swaps interest (Statement of Comprehensive Income)	214	13	-	-	227
<b>30 September 2023</b>					
Cash inflows (assets)	809	121	-	-	930
Cash outflows (liabilities)	(842)	(50)	-	-	(892)
Net cash inflow	(33)	71	-	-	38
Accrued swaps interest (Statement of Comprehensive Income)	191	212	-	-	403

Notes to the Financial Statements (continued)

8. Financial risk management objectives and policies (continued)

(ii) Interest rate sensitivity analysis - residential mortgage-backed securities, negotiable certificates of deposit and term deposits

A reasonably possible change (capped at 0% with no reflection of a negative interest rate) in interest rates at the reporting date would have increased/(decreased) net assets attributable to investors (liability) and profit or loss by the amounts shown below. This analysis takes into account the periodic repricing of the investments (projected forward one year) once they mature and assumes that all other variables remain constant as at 30 September 2024. The analysis is performed on the same basis for 2023.

	Profit or loss \$'000	Net assets attributable to investors (Liability) \$'000
<b>30 September 2024</b>		
100 basis points increase	4,507	4,507
100 basis points decrease	(4,050)	(4,050)
<b>30 September 2023</b>		
100 basis points increase	3,642	3,642
100 basis points decrease	(3,401)	(3,401)

(iii) Interest rate sensitivity analysis - mortgage loans

A reasonably possible change in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis takes into account the periodic repricing of the loan terms (projected forward one year) based on the yield curve as at 30 September 2024, and assumes that all other variables remain constant. The analysis is performed on the same basis for 2023.

In practice, the actual results may differ from the above sensitivity analysis and the difference could be significant.

	Profit or loss \$'000	Net assets attributable to investors (Liability) \$'000
<b>30 September 2024</b>		
100 basis points increase	264	264
100 basis points decrease	(265)	(265)
<b>30 September 2023</b>		
100 basis points increase	408	408
100 basis points decrease	(408)	(408)

9. Financial Instruments

All financial instruments are initially recognised at fair value on the date of initial recognition depending on the classification of the asset and liability.

a) Measurement basis of financial assets and liabilities

The following tables detail the carrying amount of the financial assets and liabilities by classification in the Statement of Financial Position.

	2024			2023		
	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Total \$'000
<b>Financial Assets</b>						
Cash and cash equivalents	-	45,661	45,661	-	24,067	24,067
Other receivables	-	483	483	-	157	157
Financial assets at amortised cost	-	562,681	562,681	-	479,447	479,447
Derivatives	194	-	194	475	-	475
<b>Total Financial Assets</b>	<b>194</b>	<b>608,825</b>	<b>609,019</b>	475	503,671	504,146
<b>Financial Liabilities</b>						
Other payables	-	29	29	-	980	980
Distribution payable	-	540	540	-	377	377
Derivatives	44	-	44	75	-	75
<b>Total Financial Liabilities</b>	<b>44</b>	<b>569</b>	<b>613</b>	75	1,357	1,432



**Notes to the Financial Statements (continued)**

**9. Financial Instruments (continued)**

**b) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments. A quoted market price in an active market provides the most reliable evidence of fair value. For all other financial instruments, the fair value is determined by using other valuation techniques.

As part of the fair value measurement, the Fund classifies its assets according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are defined as follows:

- > Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- > Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- > Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Financial assets and liabilities carried at amortised cost*

The table below details the carrying amount and fair value of financial instruments held at amortised cost by classification and hierarchy levels:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Total carrying amount \$'000
<b>As at 30 September 2024</b>					
<b>Financial assets</b>					
Residential mortgage-backed securities	-	-	329,229	329,229	328,566
Negotiable certificates of deposit	-	103,943	-	103,943	103,876
Term deposits	-	22,589	-	22,589	22,589
Mortgage loans	-	-	107,586	107,586	107,650
	-	126,532	436,815	563,347	562,681
<b>As at 30 September 2023</b>					
<b>Financial assets</b>					
Residential mortgage-backed securities	-	-	281,753	281,753	281,975
Negotiable certificates of deposit	-	55,582	-	55,582	55,542
Term deposits	-	31,475	-	31,475	31,475
Mortgage loans	-	-	109,035	109,035	110,455
	-	87,057	390,788	477,845	479,447

*Financial assets carried at fair value*

The table below details the carrying amount and fair value of financial instruments held at amortised cost by classification and hierarchy levels:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Total carrying amount \$'000
<b>As at 30 September 2024</b>					
Derivatives financial assets	-	194	-	194	194
Derivatives financial liabilities	-	44	-	44	44
<b>As at 30 September 2023</b>					
Derivatives financial assets	-	475	-	475	475
Derivatives financial liabilities	-	75	-	75	75

**Valuation technique**

*Residential mortgage-backed securities, negotiable certificates of deposit, term deposits and derivatives*

Each month, independent valuations are determined by the management's Financial Risk & Modelling function. This involves an analysis of independently sourced data that is deemed most representative of the market. From this independent data which is made available by other financial institutions, market average valuations are calculated, and the value of debt securities are updated.

The Fund categorises residential mortgage-backed security investments as level 3 in the fair value hierarchy as there is currently limited market data that is observable.

*Mortgage loans*

The carrying value of mortgage loans is net of ECL's. These investments are initially recorded at fair value on recognition and are then measured at amortised cost using the effective interest method, with interest and impairment costs being recognised in the Statement of Comprehensive Income. The fair value of loans are calculated by utilising discounted cash flow models based on the maturity of the loans held by the Fund. The Fund categorises these investments as level 3 as there are no observable inputs.

*Residential mortgage-backed securities, mortgage loans and derivatives*

Where the Fund's residential mortgage-backed securities, mortgage loans and derivatives are not traded on an exchange, they are valued using valuation techniques disclosed above. The most significant inputs into the valuations are interest rate yields which are developed from publicly quoted rates. Refer to Note 8 for sensitivity analysis.

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the year ended 30 September 2024.

**Notes to the Financial Statements (continued)**

**10. Segment information**

The Fund invests in a range of Australian first registered mortgages, bank accepted bills, negotiable certificates of deposit, term deposits, residential mortgage-backed securities and cash. All investments are domiciled in Australia.

**11. Related party disclosures**

**(a) Responsible Entity**

The Responsible Entity of the Fund is Sandhurst Trustees Limited (Sandhurst).

The controlling entity of Sandhurst is Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

**(b) Details of Key Management Personnel**

Sandhurst Trustees Limited, the Responsible Entity of the Fund, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Fund.

**(c) Related party disclosures**

**(i) Fees**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Trustee management/administration fees paid/payable to Sandhurst Trustees Limited as the Responsible Entity in accordance with the provisions of the Fund's Constitution	<b>6,303</b>	9,262
As part of its asset acquisition strategy, the Fund may purchase pools of mortgages via equitable assignment mortgage loans from time to time from Bendigo and Adelaide Bank Limited. Management fees that are paid/payable to Bendigo and Adelaide Bank Limited for loan management services for the year ended 30 September 2024.	<b>1</b>	(4)
Loan origination management fees that are paid/payable to National Mortgage Market Corporation Limited (ABN 52 006 325 640), a wholly owned subsidiary of Bendigo and Adelaide Bank Limited, for the year ended 30 September 2024.	<b>154</b>	150

**(ii) Other related party disclosures**

Deposits with the Bendigo and Adelaide bank on normal commercial terms and conditions	<b>45,425</b>	42,773
---	---------------	--------

All related party transactions are made in arms length transactions on normal commercial terms and conditions.

**12. Auditors' remuneration**

Amounts received, or due and receivable by the auditors for:

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees for the year due to Ernst & Young in relation to:		
- audit and review of the financial report of the Fund	<b>16</b>	15
- compliance plan audit	<b>4</b>	4

**13. Contingent assets, liabilities and commitments**

There are no contingent assets, liabilities or commitments as at 30 September 2024 and 30 September 2023.

**14. Significant events after reporting date**

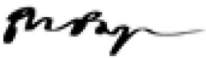
There have been no significant events that have occurred since reporting date which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 September 2024, the results of the Statement of Comprehensive Income and Statement of Cash Flows of the Fund for the year ended on that date.

## Directors' declaration

The Directors of the Responsible Entity declare that:

- (a) the financial statements and notes of the Fund are in accordance with the *Corporations Act 2001* (Cth), including:
  - (i) giving a true and fair view of the financial position of the Fund as at 30 September 2024 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth);
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (c) the financial statements are prepared in accordance with the provisions of the Fund's Constitution; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

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



Margaret Payn  
Chair  
11 December 2024



**Building a better  
working world**

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 Investors of Sandhurst Investment Term Fund

### Opinion

We have audited the financial report of Sandhurst Investment Term Fund (the Fund), which comprises the statement of financial position as at 30 September 2024, the statement of comprehensive income, statement of changes in net assets attributable to investors and statement of cash flows for the year then ended, notes to the financial statements, including a summary of material accounting policy information, and the declaration to investors.

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

- a) giving a true and fair view of the Fund's financial position as at 30 September 2024 and of its 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 Fund 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 (including Independence Standards)* (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 of Sandhurst Trustees Limited, as the responsible entity of the Fund 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 Sandhurst Trustees Limited, as the responsible entity, 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 Fund'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 Fund 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 Fund'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 Fund'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 Fund to cease to continue as a going concern.



**Building a better  
working world**

- 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.

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.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Hayley Watson', written in a cursive style.

Hayley Watson  
Partner  
Melbourne  
11 December 2024

This page intentionally left blank

