

Bendigo Income Generation Fund

ARSN 646 932 854

Annual Report 2023

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

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Bendigo Income Generation Fund
Financial Report for the year ended 30 June 2023

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		Bendigo Income Generation Fund ARSN 646 932 854

Directors' Report

The directors of Sandhurst Trustees Limited (the Responsible Entity), present this report on the Bendigo Income Generation Fund (the Fund) for the period to 30 June 2023.

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:

Jennifer Lynn Dawson	Chair (retired 1 July 2022)
Vicki Carter	Chair (appointed 1 July 2022)
Richard John Baker	
Alexandra Maris Tullio	
Luke Davidson	

Company Secretary

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

Susan Kamler	(appointed 23 January 2023)
Melissa Lovell	(resigned 23 January 2023)

Principal activities

The principal activity of the Fund during the period was the investment in a diversified portfolio of domestic interest bearing securities across a range of maturities.

The investment manager of the Fund is Sandhurst Trustees Limited.

The Fund did not have any employees during the period. No significant change in the nature of these activities occurred during the period.

Managed investment scheme

The Fund is an Australian registered managed investment scheme, and was constituted on 20 April 2020. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

Net assets attributable to unitholders

Net assets attributable to unitholders are classified and disclosed as a liability in the Statement of Financial Position. Consequently, the Fund has recognised distributions to unitholders as a finance cost in the Statement of Comprehensive Income.

Review of Results and Operations

Results and distributions	2023	2022
	\$'000	\$'000
Net profit attributable to unitholders (before finance costs)	4,921	108

Distributions to unitholders paid and payable in respect of the financial year were:

	2023		2022	
	\$'000	Cents per Unit	\$'000	Cents per Unit
Interim distributions paid				
30 September	871	0.83	771	0.77
31 December	1,227	1.16	686	0.67
31 March	1,207	1.28	591	0.57
Final distribution payable	871	1.02	740	0.71
	4,176	4.29	2,788	2.72

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Directors' Report (continued)

Performance

The performance of the Fund during the period is summarised in the following table.

2023	1 Year %	3 Year %
Growth return	0.56	0.03
Distribution return	4.39	3.11
Total return	4.95	3.14
Benchmark return	2.89	3.05
2022	1 Year %	3 Year %
Growth return	(2.54)	n/a
Distribution return	2.65	n/a
Total return	0.11	n/a
Benchmark return	0.10	n/a

Environmental, social and governance (ESG)

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.

Significant changes in state of affairs

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

Significant events after the balance date

Management continues to monitor the significant redemptions within the fund to determine that the fund is delivering on its Investment Return objective and strategy. Appropriate action will be taken in members best interest to ensure all members are treated fairly should the need arise.

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 units 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.

Indemnities and insurance premiums for officers or directors

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.

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Financial Report for the year ended 30 June 2023

Directors' Report (continued)

Units on Issue

The movement in units on issue of the Fund for the year was as follows:

	2023	2022
	Units '000	Units '000
Units issued	4,457	7,410
Units redeemed	(23,229)	(677)
Units on issue as at 30 June	85,066	103,838

	2023	2022
	\$ '000	\$ '000
Value of total Fund assets as at 30 June	86,655	104,841

The basis for valuation of the Fund's assets is disclosed in Note 2 to the financial statements.

Interests of the Responsible Entity

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

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

	2023	2022
	\$ '000	\$ '000
Management fees paid/payable to the Responsible Entity	594	604

Auditor's Independence Declaration

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

Rounding

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

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



Vicki Carter
 Chair
 Melbourne
 28 September 2023



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Sandhurst Trustees Limited, as Responsible Entity for Bendigo Income Generation Fund

As lead auditor for the audit of the financial report of Bendigo Income Generation Fund for the financial year ended 30 June 2023, 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 & 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
28 September 2023

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Interest income	7(a)	5,120	2,441
Dividend income	7(b)	141	180
Net gains/(losses) on financial assets at fair value through profit or loss	11	295	(1,905)
		<u>5,556</u>	<u>716</u>
Expenses			
Management fees	10(c)	594	604
Administration fees		41	4
		<u>635</u>	<u>608</u>
Net profit attributable to unitholders (before finance costs)		4,921	108
Finance Costs			
Distributions to unitholders	7(c)	4,176	2,788
Change in Net Assets attributable to Unitholders		<u>745</u>	<u>(2,680)</u>

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 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents	3	14,908	640
Other receivables	4	593	302
Financial assets at fair value through profit and loss	5	69,154	103,899
Financial assets at amortised cost	5	2,000	-
Total Assets	9(c)	86,655	104,841
Liabilities			
Management fees payables		147	163
Distribution payable	7(c)	871	740
Total liabilities (excluding Net Assets attributable to Unitholders)		1,018	903
Net Assets attributable to Unitholders (Liability)	6(b)	85,637	103,938

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 Unitholders

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Opening balance		103,938	99,718
Net profit attributable to unitholders (before finance costs)		4,921	108
Distribution to unitholders	7(c)	(4,176)	(2,788)
Application for units		4,463	7,584
Redemption of units		(23,509)	(684)
Closing balance	6(b)	85,637	103,938

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

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Proceeds from the sale of financial instruments		102,659	98,332
Purchase of financial instruments		(69,619)	(109,954)
Interest received		4,880	2,337
Dividends received		141	180
GST received		44	41
Management fees paid		(653)	(637)
Administration fees paid		(41)	(6)
Net cash flows from/(used in) operating activities	8(b)	37,411	(9,707)
Cash flows from financing activities			
Proceeds from applications by unitholders		436	4,593
Payments for redemptions by unitholders		(23,509)	(684)
Distributions paid to unitholders		(70)	(31)
Net cash (used in)/provided by financing activities		(23,143)	3,878
Net increase/(decrease) in cash held		14,268	(5,829)
Cash and cash equivalents at the beginning of the year		640	6,469
Cash and cash equivalents at the end of the year	8(a)	14,908	640

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 June 2023 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 18 September 2023.

The Fund is a Managed Investment Scheme, constituted on 20 May 2020. Sandhurst Trustees Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

2. Summary of significant 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* (Cth) and Australian Accounting Standards. The financial report has been prepared in accordance with the historical cost convention, except for the investments in financial assets, which have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order and are not distinguished between current and non-current. The financial statements are prepared on a going concern basis.

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 Class Order 2016/191. The Fund is an entity to which the class order applies, and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded to the nearest thousand dollars.

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

(b) **Statement of compliance**

The financial report 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 Policies**

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 June 2023. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

No amendment had an impact on the financial statements for the year ended 30 June 2023.

(d) **Financial instruments**

Classification

Financial assets

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

- those to be measured at fair value through profit or loss; and
- those to be 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.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For financial instruments that are measured at fair value through profit or loss, they do not represent solely payments of principal and interest. This category includes investment in corporate bonds and asset-backed securities.

For cash and cash equivalents and other receivables, 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 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.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

Measurement

Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures financial assets and financial liabilities at its 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 as part of management fee and other expense recoveries by the Responsible Entity.

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 of the 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Interest earned on these instruments are recorded separately in interest revenue in the Statement of Comprehensive Income. This also includes dividend expenses of short sales of securities, which have been classified at fair value through profit or loss.

Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification using the effective interest method. Gains and losses are recognised in profit or loss when the assets and liabilities are derecognised, as well as through the amortisation process.

The effective interest 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 profit or loss 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 asset or to the amortised cost of the financial liability. 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, transaction costs and all other premiums or discounts.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash and cash equivalents and other receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that credit risk may have significantly increased. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. 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.

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) 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.

(f) Income Tax

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

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents, in the Statement of Financial Position comprises of current deposits with banks.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(h) 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:

(i) Dividend income

Dividend income is recognised when the Fund's right to receive the payment is established.

(ii) Interest income

Interest income from all interest bearing financial instruments are recognised on an accrual basis, using the effective interest rate method.

(iii) Investment income

Gains and losses on investments are calculated as the difference between the fair value at sale, or at the year end, and the fair value at the previous valuation point. This includes both realised gains and losses and unrealised gains and losses, but does not include interest or distribution income. These are included in the Statement of Comprehensive Income in the period they are incurred in accordance with the policies described in Note 2(d).

(i) Expenses

All expenses are recognised in the statement of Comprehensive Income on an accruals basis.

(j) Other receivables

Receivables are recognised and carried at the nominal amount, less a provision for expected credit loss. Amounts are generally received within 30 days of being recorded as receivables. Outstanding other receivables are usually settled within three days. Due from brokers represent receivables for investments sold.

(k) Distributions paid /payable

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable at the end of each quarter. Such distributions are determined by reference to the taxable income of the Fund. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(l) Other payables

Fees, commissions and other expenses 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 include outstanding settlements on the purchase of investments and management fees payable. The credit and payment terms are in line with market practice and is generally less than 30 days. Outstanding payables are usually settled within three days. Due to brokers represent payables for investments purchased that are unsettled at reporting date.

(m) Net assets attributable to unitholders

Non-distributable income is retained in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses or tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously retained in net asset attributable to unitholders) and 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 unitholders are recognised in the Statement of Comprehensive Income as finance cost.

(n) Unit Prices

Unit Prices are determined in accordance with the Fund's Constitution and are calculated on the net assets attributable to unitholders of the Fund, less estimated costs divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

(o) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer to the unitholder any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the *Corporations Act 2001* (Cth), including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unitholder are identical in all respects.

Notes to the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(o) Terms and conditions on units (continued)

Redeemable units

Redeemable units are redeemable at the unitholders' option at anytime for cash equal to a proportionate share of the Fund's net asset value (calculated in accordance with redemption requirements) and are classified as financial liabilities. The financial liability is disclosed on the Statement of Financial Position as 'Net Assets attributable to Unitholders (Liability)'. The units are classified as financial liabilities due to the fact that, in addition to the contractual obligation to pay cash to unitholders upon redemption, the Fund also has compulsory distribution clauses in the Fund's constitution.

The liabilities arising from the redeemable units are carried at the redemption amount being the net asset value calculated in accordance with redemption requirements. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders (calculated in accordance with redemption requirements) by the number of units on issue.

This valuation of net assets is different from the Australian Accounting Standards valuation requirements. The difference between the two valuations is presented in Note 7(b) as 'Adjustment from nav-market prices to bid-market prices'.

(p) 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 which is able to be recovered 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.

(q) Significant accounting judgments and estimates

The preparation of the Fund's financial statements does not require management to make any significant judgments, estimates and assumptions, except for the following, that affect the amounts recognised in the financial statements.

(i) Fair value 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 an observable market price (level 2 in the fair value hierarchy), the quoted price at the measurement date provides the most reliable input.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a) quoted prices for similar assets or liabilities in active markets.
- b) quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) inputs other than quoted prices that are observable for the asset or liability, for example:
 - i) interest rates and yield curves observable at commonly quoted intervals;
 - ii) implied volatilities; and
 - iii) credit spreads.
- d) market-corroborated inputs.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

(r) Capital Management

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

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

Notes to the Financial Statements (continued)

3. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	139	116
11am deposits	12,769	-
Short-term deposits less than 3 months	2,000	524
	14,908	640

4. Other receivables

	2023 \$'000	2022 \$'000
Interest receivables	531	291
GST receivable	10	11
Other receivables	52	-
	593	302

Refer to Note 2(j) for terms and conditions of other receivables.

5. Financial assets

<i>Financial assets at fair value through profit and loss</i>	2023 \$'000	2022 \$'000
Exchange traded equities	1,480	6,322
Exchange traded futures	5	-
Money market securities	-	4,965
Corporate bonds	40,918	34,946
Asset-backed securities	26,751	57,666
	69,154	103,899

<i>Financial assets at amortised cost</i>	2023 \$'000	2022 \$'000
Term deposits	2,000	-
	2,000	-

Fair value of financial instruments

The fair value of financial assets at amortised cost approximates its carrying value as at 30 June 2023.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been 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).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets at fair value through profit or loss				
Exchange traded equities	1,480	-	-	1,480
Exchange traded futures	5	-	-	5
Corporate bonds	-	40,918	-	40,918
Asset-backed securities	-	-	26,751	26,751
	1,485	40,918	26,751	69,154
As at 30 June 2022				
Financial assets at fair value through profit or loss				
Exchange traded equities	6,322	-	-	6,322
Money market securities	4,965	-	-	4,965
Corporate bonds	-	34,946	-	34,946
Asset-backed securities	-	-	57,666	57,666
	11,287	34,946	57,666	103,899

Notes to the Financial Statements (continued)

5 Financial assets at fair value through profit or loss (continued)

Valuation technique

Unlisted debt securities and treasury bills

Unlisted debt and treasury bills includes money market securities, corporate bonds, subordinate notes and asset-backed securities. The Fund invests in unlisted debt securities and treasury bills and in the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Fund categorises these investments as Level 2. Where inputs are unobservable, the Fund categorises investments as Level 3.

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 June 2023.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within level 3 between the beginning and the end of the year:

	2023 \$'000	2022 \$'000
Starting balance	57,666	32,853
Purchases	21,982	37,926
Sales	(52,402)	(16,572)
Transfers into Level 2	-	4,018
Fair value gain/(loss)	(495)	(559)
Ending Balance	26,751	57,666

Sensitivity analysis

For Level 3 Asset-backed securities (ABS's), the unobservable pricing input is broker quotes. If the input was to change +/- 5% the impact on the value of these Asset backed securities would be approximately +/- \$1,337,551.

6. Net assets attributable to unitholders

	2023 Units '000	2022 Units '000
(a) Units on issue		
Balance at the beginning of the year	103,838	97,105
Applications		
- Cash	484	4,480
- Reinvested distributions	3,973	2,930
Redemptions	(23,229)	(677)
Balance at the end of the year	85,066	103,838

The terms and conditions attached to units in the Fund can be found in Note 2(o).

	2023 \$'000	2022 \$'000
(b) Reconciliation of net assets attributable to unitholders		
Net assets attributable to unitholders (calculated in accordance with redemption requirements)	85,636	103,923
Adjustment from nav-market prices to bid-markets prices	1	15
Net assets attributable to unitholders (calculated in accordance with Australian Accounting Standards)	85,637	103,938

Notes to the Financial Statements (continued)

7. Income and distribution to unitholders

	2023 \$'000		2022 \$'000
(a) Interest income			
Interest income	5,120		2,441
(b) Dividend income			
Dividend income	141		180
	2023 \$'000	CPU	2022 \$'000
(c) Distribution to unitholders			
Interim distributions paid			
30 September	871	0.83	771
31 December	1,227	1.16	686
31 March	1,207	1.28	591
Final distribution payable			
30 June	871	1.02	740
Distributions to unitholders	<u>4,176</u>	<u>4.29</u>	<u>2,788</u>
			<u>2.72</u>

8. Notes to the Statement of Cash Flows

	2023 \$'000	2022 \$'000
(a) Reconciliation of cash		
Cash at bank	139	116
11am deposits	12,769	-
Short-term deposits less than 3 months	2,000	524
	<u>14,908</u>	<u>640</u>
(b) Reconciliation of net profit attributable to unitholders to net cash flows from operating activities		
Change in net assets attributable to unitholders	745	(2,680)
Adjustments for:		
Distributions to unitholders	4,176	2,788
Net gains/(losses) on financial instruments at fair value through profit or loss	(295)	1,905
Proceeds from the sale of financial instruments	102,659	98,318
Purchases of financial instruments	(69,619)	(109,954)
(Increase) in interest receivables	(240)	(93)
Decrease in GST receivables	1	-
(Decrease)/increase in management fees payable	(16)	9
Net cash provided by operating activities	<u>37,411</u>	<u>(9,707)</u>
(c) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	3,975	2,992

9. Financial risk management objectives and policies

(a) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Funds activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to interest rate risk, market risk, liquidity risk and credit risk. Financial instruments of the Fund comprise investments in financial assets for the purpose of generating a return on the investment for unitholders.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and the net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is discussed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflects the investment strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept, with additional emphasis on selected industries.

Bendigo Income Generation Fund
Financial Report for the year ended 30 June 2023

Notes to the Financial Statements (continued)

9. Financial risk management objectives and policies (continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

(b) Credit Risk

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

With respect to credit risk arising from the financial assets of the Funds, the Fund exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. The Fund minimises credit risk by investing in an approved list of debt securities whilst excluding direct investment in commodities, foreign currency and physical property. Credit risk is monitored, in an effort to identify any potential defaults before they occur.

Financial assets subject to AASB 9's impairment requirements

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 June 2023 and 30 June 2022, cash and cash equivalents and other receivables are held with counterparties with a credit rating of A- 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.

The Fund holds no collateral as security or any other credit enhancements. The Fund invests in domestic interest bearing securities with at least investment grade credit rating as rated by S&P, Moody's or Fitch. There have been no historical defaults. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Fund manages liquidity risk by investing a portion of total assets in cash and other short-term interest bearing securities that ordinarily can be readily converted into cash and also performs liquidity modelling and forecasting.

Maturity analysis for financial liabilities

Financial liabilities of the Fund comprise other payables, distributions payable and net assets attributable to unitholders. Other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted cash flows.

The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 month \$'000	1 to 3 months \$'000	3 to 6 months \$'000	6 to 12 months \$'000	Total \$'000
As at 30 June 2023					
Financial liabilities					
Management fees payable	147	-	-	-	147
Distribution payable	871	-	-	-	871
Net assets attributable to unitholders	85,637	-	-	-	85,637
	<u>86,655</u>	-	-	-	<u>86,655</u>
As at 30 June 2022					
Financial liabilities					
Management fees payable	163	-	-	-	163
Distribution payable	740	-	-	-	740
Net assets attributable to unitholders	103,938	-	-	-	103,938
	<u>104,841</u>	-	-	-	<u>104,841</u>

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and bond prices. Market risk is managed and monitored using quantitative analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Bendigo Income Generation Fund
Financial Report for the year ended 30 June 2023

Notes to the Financial Statements (continued)

9. Financial risk management objectives and policies (continued)

(e) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments. The Funds have established limits on investments in interest bearing asset classes, which are monitored monthly with Bloomberg AusBond Bank Bill Index as the fund's performance benchmark. The Fund regularly monitors the impact of changes in interest rates on the underlying portfolios and considers the impact of any rate changes prior to making investment decisions.

The tables below summarise those assets and liabilities with exposure to interest rate risk:

	Floating Interest rate \$'000	Fixed Interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2023				
Assets				
Cash	14,908	-	-	14,908
Receivables	-	-	593	593
Financial assets at fair value through profit or loss	68,156	998	-	69,154
Financial assets at amortised cost	-	2,000	-	2,000
Total assets	83,064	2,998	593	86,655
Liabilities				
Distributions payable	-	-	871	871
Other payables	-	-	147	147
Total liabilities	-	-	1,018	1,018
Net Exposure / Net assets attributable to unitholders (equity)	83,064	2,998	(425)	85,637
30 June 2022				
Assets				
Cash	640	-	-	640
Receivables	-	-	302	302
Financial assets at fair value through profit or loss	103,899	-	-	103,899
Total assets	104,539	-	302	104,841
Liabilities				
Distributions payable	-	-	740	740
Other payables	-	-	163	163
Total liabilities	-	-	903	903
Net Exposure / Net assets attributable to unitholders (equity)	640	103,899	(601)	103,938

The following table demonstrates the sensitivity of the Fund's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit/(loss) for the year is the effect of the assumed changes in interest rates on:

- The net interest income for one year, based on the financial assets held at the balance date; and
- Changes in fair value of investments for the year, based on revaluing fixed rate financial assets at balance date.

Market Index	Change in interest rate		Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	Increase/Decrease		Increase/Decrease		Increase/Decrease	
	%	%	\$'000	\$'000	\$'000	\$'000
30 June 2023						
Bloomberg Ausbond Bank Bill Index AUD	0.2	(0.2)	160	(160)	138	(138)
30 June 2022						
Bloomberg Ausbond Bank Bill Index AUD	0.2	(0.2)	205	(205)	208	(208)

Accounting assumptions - Variability of interest rates

The following table summarises the sensitivity of changes in fair value of investments to interest rate risk. The reasonable possible movements in the Bloomberg Ausbond Bank Bill Index have been based on the volatility of change in this index over the last 5 years. This analysis is an estimate only, as actual movements in this index may be greater or less than anticipated due to a number of factors, including unusually larger market shocks resulting from changes in the performance of the markets and securities in which the Fund invests.

Notes to the Financial Statements (continued)

10. 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.

	2023	2022
	\$'000	\$'000
(c) Fees and other related party transactions		
The amount of units held by the Responsible Entity in the Fund	Nil	Nil
Management fees paid/payable to Sandhurst Trustees Limited as the Responsible Entity in accordance with the provisions of the Fund's Constitution		
Management fees expensed	594	604
Management fees payable	147	163

The Responsible Entity is entitled to receive a total management fee of 0.60% (2022: 0.60%) of the net asset value of the Fund (inclusive of GST, net of reduced input tax credits available to the Fund).

The Fund has not made or given, guaranteed or secured, directly or indirectly, any loans, shares, options and other equity holdings to the directors or their personally-related entities at any time during the reporting year.

Cash at Bank of \$129,275 (2022: \$116,330) and 11am deposits of \$11,523,888 (2022: \$298,756) are held with Bendigo and Adelaide Bank Limited, the parent entity of Sandhurst Trustees Limited as Responsible Entity of the Fund.

11. Net gains/(losses) on financial assets at fair value through profit or loss

	2023	2022
	\$'000	\$'000
Realised capital (losses)/gains	(204)	770
Unrealised capital gains/(losses)	499	(2,675)
	295	(1,905)

12. Segment information

The Fund operates in one business segment, being investment management. The Fund also operates from one geographic location, being Australia, from where its investing activities are managed, and all securities invested are listed in Australia. The Fund primarily invests in a diversified portfolio of domestic interest bearing securities across a range of maturities.

13. Auditor's remuneration

	2023	2022
	\$'000	\$'000
Fees of the year due to Ernst & Young for:		
- an audit and review of the financial report of the Fund	14	11
- compliance plan audit	5	5
	19	16

14. Contingent asset and liabilities and commitments

There are no contingent assets and liabilities or commitments as at 30 June 2023 and 30 June 2022.

15. Events after the reporting date

Since 30 June 2023, there has not been any matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund. Management continues to monitor the significant redemptions within the fund to determine that the fund is delivering on its Investment Return objective and strategy. Appropriate action will be taken in members best interest to ensure all members are treated fairly should the need arise.

Responsible Entity's declaration to the Unitholders of the Bendigo Income Generation Fund

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 June 2023 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 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.



Vicki Carter
Chair
Melbourne
28 September 2023



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working world**

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Independent Auditor's Report to the Unitholders of Bendigo Income Generation Fund

Opinion

We have audited the financial report of Bendigo Income Generation Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the declaration to unitholders.

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 June 2023 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.



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- 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 & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Hayley Watson' in a cursive style.

Hayley Watson
Partner
Melbourne
28 September 2023

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