Series 2013-2 Torrens Trust

Financial Report 2017

Directors' Report

In accordance with the Trust Deed, the Directors of AB Management Pty Ltd, the Responsible Entity of the Series 2013-2 Torrens Trust ("the Trust"), submit their report for the year ended 30 June 2017.

The Manager

AB Management Pty Ltd (ABN 75 070 500 855) has acted in the capacity of Manager of the Trust for the year ended 30 June 2017.

Directors

The names of the Directors of AB Management Pty Ltd during the financial period and until the date of this report are:

P J Ormandy
M L Pedler

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Nature of Operations and Principal Activities

The principal activity of the Trust during the year was the holding of the assets of the Trust and the distribution of principal and finance charge collections to the Noteholders.

Trust Information

The Trust is an Australian registered Trust, constituted on 11 June 2013. AB Management Pty Ltd are the Manager and the Responsible Entity of the Trust and Perpetual Trustee Company Ltd are the Trustee. The registered office of AB Management Pty Ltd is located at The Bendigo Centre, 22-44 Bath Lane, Bendigo, Victoria, 3550.

Financial Results

The performance of the Trust for the year ended 30 June 2017, as represented by the results of its operations, was as follows:

Net assets (‘000s) :	-
Total revenue (‘000s) :	16,797
Total operating profit (‘000s) :	9,477

The total value of assets held by the Series 2013-2 Torrens Trust as at 30 June 2017 was $159,336,000 (2016: $231,523,000).

Management fees paid to AB Management Pty Ltd during the financial year were $50,211 (2016: $70,591).

Units on Issue

1 Capital unit and 1 Income unit of The Trust were on issue as at 30 June 2017 (2016: 1 Capital & 1 Income).

Distributions/(Contributions)

A distribution to ordinary Unitholders of $9,477,035 (2016: Distribution $4,625,496) was made during the year.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Trust that occurred during the year, other than the gain earned on the fair value of interest rate swaps (prior year loss incurred) as a result of changes in interest rates during the year.

Significant Events after Balance Date

The Manager is not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial periods.

Likely Developments

The Trust is expected to continue its operations in accordance with the Trust's objectives outlined in the Series Supplement.

Environmental Issues

The operations of the Trust are not subject to particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Insurance and Indemnification

No insurance premiums are paid out of the assets of the Trust in regards to insurance cover provided to either the Manager, the Trustee, or the auditor of the Trust. So long as the officers of both the Manager and the Trustee act in accordance with the Trust Deed and the Law, both parties remain fully indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust.

Indemnification of Auditors

To the extent permitted by law, the Trust has agreed to its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Director's report (continued)

Rounding

The amounts contained in this report and the financial report have been rounded to the nearest thousand dollars ($'000's) unless otherwise stated.

Key Management Personnel

(i) Directors

The Directors of AB Management Pty Ltd are considered to be Key Management Personnel of the Trust.

The Directors of the Responsible Entity in office during the year and up to the date of this report, unless otherwise stated, are:

P J Ormandy - Director (non-executive) of AB Management Pty Ltd
M L Pedler - Director (non-executive) of AB Management Pty Ltd

(ii) Other Key Management Personnel

In addition to the Directors noted above, AB Management Pty Ltd, the Responsible Entity of the Trust is considered to be Key Management Personnel with the authority for the strategic direction and management of the Trust.

(iii) Compensation of Key Management Personnel

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in *AASB 124 Related Party Disclosures* is paid by the Trust to the Directors as Key Management Personnel.

Signed for and on behalf of AB Management Pty Ltd as Responsible Entity of the Series 2013-2 Torrens Trust.

Maxwell Pedler
31/10/2017

Statement of Comprehensive Income
For the year ended 30 June 2017

	2017	2016
	$000's	$000's
Revenue		
Interest on loans	8,204	12,207
Interest on collections	26	37
Fee revenue	198	248
Total revenue	**8,428**	**12,492**
Other income		
Gain on derivative financial instruments	8,369	-
Total income	**8,369**	**-**
Total revenue and other income	**16,797**	**12,492**
Expense		
Coupon payments to noteholders	5,084	8,069
Loss on derivative financial instruments	-	6,229
Swap payments	1,584	1,952
Management fee	50	71
Servicing fee	418	588
Trustee fee	64	91
Other trust expenses	120	117
Total expenses	**7,320**	**17,117**
Net profit/(loss) attributable to unitholders	**9,477**	**(4,625)**
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	**9,477**	**(4,625)**

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

Statement of Financial Position
As at 30 June 2017

	Note	2017 $000's	2016 $000's
Assets			
Cash and cash equivalents	3	2,000	2,000
Trade and other receivables	4	4,543	14,954
Loans and receivables	5	152,793	214,569
Total assets		**159,336**	**231,523**
Liabilities			
Trade and other payables	6	833	348
Borrowings	7	156,104	220,407
Derivative financial instruments	8	2,399	10,768
Total liabilities excluding net assets attributable to unitholders		**159,336**	**231,523**
Net assets attributable to unitholders		-	-

Statement of changes in Net Assets attributable to Unitholders
For the year ended 30 June 2017

	Note	2017 $000's	2016 $000's
Net assets attributable to unitholders at the beginning of the year		-	-
Net profit/(loss) attributable to unitholders		9,477	(4,625)
(Distrbutions to)/Contributions from unitholders	9	(9,477)	4,625
Net assets attributable to unitholders at the end of the year		-	-

The above Statement of Financial Position and Statement of changes in Net Assets attributable to Unitholders should be read in conjunction with the accompanying notes.

Cash Flow Statement
For the year ended 30 June 2017

	Note	2017 $000's	2016 $000's
Cash flows from operating activities			
Interest on loans		8,452	12,572
Interest on collections		27	38
Fee revenue		198	248
Swap payments		(1,611)	(1,966)
Payment to noteholders		(5,141)	(8,177)
Management fee		(51)	(72)
Servicing fee		(431)	(604)
Trustee fee		(66)	(93)
Other trust expenses		(100)	(106)
Net cash flows from operating activities	10	**1,277**	**1,840**
Cash flows from investing activities			
Loan repayments		65,803	78,062
Loan redraws		(4,026)	(1,546)
Net cash flows from investing activities		**61,777**	**76,516**
Cash flows from financing activities			
Principal payments to noteholders		(64,303)	(76,603)
Distribution to unitholders	9	(1,575)	(2,236)
Receipt from related parties		2,824	483
Net cash flows used in financing activities		**(63,054)**	**(78,356)**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents held at the beginning of the financial year		2,000	2,000
Cash and cash equivalents held at the end of the financial year	3	**2,000**	**2,000**

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

1 Trust Information

The financial report of Series 2013-2 Torrens Trust ("The Trust") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors of the Manager of The Trust on 31 October 2017. The Trust is an Australian registered Trust, constituted on 11 June 2013.
AB Management Pty Ltd, the Manager is located at The Bendigo Centre, 22-44 Bath Lane, Bendigo, Victoria, 3550.

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 Trust Deed dated 11 June 2013 and Australian Accounting Standards.

The financial report has been prepared in accordance with the historical cost convention, except for certain assets and liabilities where the application of fair value measurement is required or allowed by relevant accounting standards.

For the purposes of preparing the financial report, the Trust is a for-profit entity.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The report is prepared in Australian dollars and all values are rounded to the nearest thousand dollars ($'000s) except where otherwise indicated.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year.

Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2017.

AASB 9 Financial Instruments introduces changes to the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard is mandatory for the 30 June 2019 financial statements. The Group is in the process of assessing the impacts of the standard, and is not yet able to reasonably estimate the impact on its financial statements.

AASB 15 Revenue from contracts with customers establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cashflows arising from customer contracts. This standard is effective for the 30 June 2019 financial statements.

The Group doesn't expect that a significant portion of the group's revenue will be impacted by this standard and is currently in the process of assessing the impacts and as such is not yet in a position to reliably estimate the impact to the financial statements.

AASB 16 Leases introduces a requirement to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This standard is effective for the 30 June 2020 financial statements.

The potential effects of adoption of the standard are currently being assessed.
The following amendments to existing standards are not expected to result in significant changes to the Group's accounting policies:

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

2 Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions

In the application of Australian Accounting Standards management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant note to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other event is reported.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.
Bank overdrafts are shown within borrowings as liabilities in the Statement of Financial Position.

(f) Financial assets available for sale

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not categorised into any of the categories of fair value through profit or loss, loans and receivables or held to maturity. Available for sale investments primarily are restricted bank deposits.

(g) Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Income is recognised on an effective interest rate basis for financial assets other than those financial assets 'at fair value through profit or loss'. Interest is recognised by applying the effective interest rate.

<u>Impairment of financial assets</u>

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are considered impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through

2 Summary of significant accounting policies (continued)

(g) Loans and receivables (continued)
profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Trade and Other Receivables
Trade Receivables, which are generally received within 30 days, are recognised and carried at original invoice amount. Bad debts are written off when identified.

(i) Financial Instruments Issued by the Trust
Borrowings
Notes are recorded at an amount equal to the initial proceeds less any pass through of principal amounts. Interest expense is recognised on an accrual basis. Other financial liabilities, including borrowings, are initially measured at fair value, less directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial liability or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(j) Trade and Other Payables
Trade payables are carried at amortised cost and represent liabilities for goods and services provided to the Trust prior to the end of the financial year that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services which are generally settled within 30 days.

(k) Derivative Financial Instruments
The Trust uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations.

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 to fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair values of derivatives are taken to net profit or loss for the year. All derivatives at year end are classified as held for trading and not in designated hedging relationships.

(l) Revenue Recognition
Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

(m) Distributions/ Contributions
Distributions to/(Contributions from) the residual income Unitholder are made in arrears on a monthly basis. Distribution/(Contribution) is the interest receipts from receivables net of trust related expenses.

(n) Income tax
Under current Income Tax Legislation, the Trust is not liable to pay income tax on that part of taxable income which is distributed to Unitholders.

(o) Goods & Services Tax (GST)
Expenses incurred by the Trust are recognised net of the amount of GST that can be recovered from the Australian Taxation Office (ATO). Amounts recognised as receivables and payables at balance date include the amount of GST payable. Reduced input tax credits (RITC) recoverable by the Trust from the ATO are recognised as receivables in the Statement of Financial Position.

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

2 Summary of significant accounting policies (continued)

(q) Units on issue

Residual capital units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Master Trust Deed, including the right to:

- ► have their units redeemed; and
- ► participate in the termination and winding up of the Trust.

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

Residual income units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Master Trust Deed, including the right to:

- ► receive income distributions; and
- ► have their units redeemed.

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

3 Cash and cash equivalents

	2017	2016
	$000's	$000's
Bank deposit	2,000	2,000
Cash and cash equivalents	**2,000**	**2,000**

4 Trade and other receivables

	2017	2016
	$000's	$000's
Receivables from related parties	3,957	6,781
Other receivables	586	835
Contribution receivable	-	7,338
Total trade and other receivables	**4,543**	**14,954**

The components of 'Other Receivables' relates to accrual balances attributable to the loan portfolio or investments held by the Trust.

5 Loans and receivables

	2017	2016
	$000's	$000's
Loans	152,793	214,569
Total loans and receivables	**152,793**	**214,569**

The loans comprise of various terms to maturity ranging up to 26 years and at various fixed and variable interest rates.

Maturity Profile on Loans and receivables

Not longer than 3 months	2	-
Longer than 3 and not longer than 12 months	16	66
Longer than 1 and not longer than 5 years	835	380
Longer than 5 years	151,940	214,123
Total loans and receivables	**152,793**	**214,569**

6 Trade and other payables

	2017	2016
	$000's	$000's
Distribution payable	565	-
Other creditors and accruals	268	348
Total trade and other payables	**833**	**348**

The components of 'Other Creditors' relates to liabilities for goods and services provided to the Trust prior to the end of the financial period that are unpaid and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services.

7 Borrowings

	2017	2016
	$000's	$000's
Class A Notes - unsecured	130,746	184,603
Class AB Notes - unsecured	19,018	26,853
Class B Notes - unsecured	6,340	8,951
Total borrowings	**156,104**	**220,407**

Three classes of Notes on issue:- A, AB and B.

These Notes are floating rate notes based on BBSW plus a margin.

The term of the notes is equal to the life of the Trust.

8 Derivative financial instruments

The Trust enters into derivative financial instruments which enable it to manage interest rate risk.

The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

The Trust manages the exposures related to these instruments as part of its overall interest rate risk management.

All derivatives at year end are classified as held for trading and not in designated hedging relationships.

The table below shows the fair values of the derivatives, recorded as assets or liabilities, together with their notional amounts.

The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the period end and are indicative of neither the market risk nor credit risk.

	2017	2016
Derivatives held for trading - Interest rate swaps	$000's	$000's
Fair value liabilities	(2,399)	(10,768)
Notional amount	(156,104)	(220,407)

9 Distribution to unitholders

	2017	2016
	$000's	$000's
Accrued contribution at the beginning of the year	(7,337)	(476)
Add profit/(Less loss) for the year	9,477	(4,625)
Less distribution for the year	(1,575)	(2,236)
Accrued distribution/(contribution) to Unitholders	**565**	**(7,337)**

10 Cash flow statement reconciliation

	2017	2016
	$000's	$000's
Profit/(Loss) after income tax	9,477	(4,625)
Adjustments for accrued operating movements		
Interest received	248	365
Interest on collections	1	1
(Gain)/Loss on derivative financial instrument	(8,369)	6,229
Swap payments	(27)	(14)
Coupon payments	(57)	(108)
Other income / (expenses)	4	(8)
Net cash flow from operating activities	**1,277**	**1,840**

11 Related party disclosures

Bendigo and Adelaide Bank Ltd and AB Management Pty Ltd act as Servicer and Manager of the Trust respectively and as such receive a fee for providing such services.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Principal and interest collections are received from underlying borrowers by Bendigo and Adelaide Bank Ltd and transferred to the Trust on a monthly basis.

No employees nor directors of related entities are paid by the Trust.

	2017	2016
	$000's	$000's
Bendigo and Adelaide Bank Ltd	418	588
AB Management Pty Ltd	50	71
Collections receivable from Bendigo and Adelaide Bank Ltd	3,957	6,781

12 Risk management

The key financial risks associated with the Trust's activities are:

> interest rate risk;
> liquidity and cash flow risk; and
> credit risk.

The Trust's trade and other receivables assets are valued in accordance with note 2(h).

The Trust's financial assets are valued in accordance with note 2(f).

Interest rate risk exposures
Interest rate risk is the risk that changes in market interest rates might adversely affect net interest income of the Trust.

Interest rate risk is carefully managed, within defined limits set by the Risk Management Committee of the Responsible Entity, with the primary objective being to stabilise and enhance the performance of net interest income over time. This risk is managed by limiting the mismatch in the repricing dates of the Trust's asset and liabilities and through the use of interest rate hedging products such as swaps.

The risk of the carrying value of the Trust's investment being affected by movements in interest rates is managed by ensuring all transactions are within defined, approved limits.

Other receivables and payables are valued at cost, which is equivalent to the fair value.

The swaps used to manage interest rate exposure are purchased with the intent of being held to maturity.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant at year end.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and liabilities. These mismatches are managed as part of the overall asset and liability management process.

	Increase in Interest Rate	Post Tax Profit	Equity	Decrease in Interest Rate	Post Tax Profit	Equity
30 June 2017		$000's	$000's		$000's	$000's
Financial Asset						
Cash	+ 1.00%	20	-	- 1.00%	(20)	-
Loans and receivables	+ 1.00%	1,528	-	- 1.00%	(1,528)	-
Financial Liability						
Coupons	+ 1.00%	(1,561)	-	- 1.00%	1,561	-
Interest rate swaps	+ 1.00%	(24)	-	- 1.00%	24	-
30 June 2016						
Financial Asset						
Cash	+ 1.00%	20	-	- 1.00%	(20)	-
Loans and receivables	+ 1.00%	2,146	-	- 1.00%	(2,146)	-
Financial Liability						
Coupons	+ 1.00%	(2,204)	-	- 1.00%	2,204	-
Interest rate swaps	+ 1.00%	(108)	-	- 1.00%	108	-

12 Risk management (continued)

Liquidity and Cash Flow Risk Exposures

Statement of Financial Position liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk is managed within defined limits set by the Risk Management Committee of the Responsible Entity.

The Trust holds a portfolio of high quality liquid assets as protection against an unexpected outflow of funds. Liquidity risk is mitigated with repayment obligations of Borrowings being aligned to cash receipts.

The fair value of liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at year end.

The table below summarises the maturity profile of the Trust's financial liabilities at 30 June 2017 and 2016.

Notes are repayable subject to and aligned with cash receipts on loans receivable.

Maturity analysis has been prepared on the expected cash flows. Actual repayment obligations could be earlier or later than presented below.

Maturity Profile	30-June-2017				30-June-2016			
	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years	Not longer than 3 months	3 to 12 months	1 to 5 years	Longer than 5 years
Liabilities	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Accrued interest payable to noteholders	140	-	-	-	197	-	-	-
Management fees accrued	4	-	-	-	5	-	-	-
Other creditors	689	-	-	-	146	-	-	-
Borrowings	15,298	31,478	122,645	-	13,095	24,441	96,714	129,906
Derivatives	390	1,000	2,382	-	628	1,747	6,934	5,835
Total	**16,521**	**32,478**	**125,027**	**-**	**14,071**	**26,188**	**103,648**	**135,741**

12 Risk management (continued)

Credit Risk Exposures

Credit risk is the potential that the Trust will suffer a financial loss due to the unwillingness or inability of counterparties to fully meet their contractual debts and obligations. This risk is managed within defined policy set by the Board Risk Management Committee of the Responsible Entity.

Credit risk arises from lending activities, financial market transactions and other associated activities. The Trust has a credit risk framework in place to provide a structured and disciplined approach to all lending activities. Total credit risk exposure of cash, loans, investments and derivatives of the Trust is limited to the carrying value of assets on the Statement of Financial Position.

The table below categorises the loans and receivables of the Trust by their ageing profile:

	Not longer than 12 months	1 to 5 years	Longer than 5 years	Total
Loans and receivables	$000's	$000's	$000's	$000's
30 June 2017	18	835	151,940	**152,793**
30 June 2016	66	380	214,123	**214,569**

12 Risk management (continued)

Credit Risk Exposures (continued)

The table below categorises the financial assets of the Trust by their grading profile.

The credit risk exposures of the Trust are concentrated entirely within Australia.

	High Grade	Standard Grade	Sub-Standard Grade	Unrated	Total
30 June 2017	$000's	$000's	$000's	$000's	$000's
Cash and cash equivalents	2,000	-	-	-	**2,000**
Trade and other receivables	-	-	-	4,543	**4,543**
Loans and receivables	141,370	11,423	-	-	**152,793**
30 June 2016					
Cash and cash equivalents	2,000	-	-	-	**2,000**
Trade and other receivables	-	-	-	14,954	**14,954**
Loans and receivables	193,759	20,810	-	-	**214,569**

13 Financial instruments

a) Measurement basis of financial assets and liabilities

The accounting policies in note 2 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the carrying amount of the financial assets and liabilities by category and by balance sheet heading.

	Held at fair value	At fair value through Reserves	Held at amortised cost		
	Derivatives	Available for sale	Loans and receivables	Other financial instruments	Total
30 June 2017	$000's	$000's	$000's	$000's	$000's
Financial assets					
Cash and cash equivalents	-	-	-	2,000	**2,000**
Trade and other receivables	-	-	4,543	-	**4,543**
Loans and receivables	-	-	152,793	-	**152,793**
Financial liabilities					
Trade and other payables	-	-	-	833	**833**
Borrowings	-	-	-	156,104	**156,104**
Derivative financial instruments	2,399	-	-	-	**2,399**
30 June 2016					
Financial assets					
Cash and cash equivalents	-	-	-	2,000	**2,000**
Trade and other receivables	-	-	14,954	-	**14,954**
Loans and receivables	-	-	214,569	-	**214,569**
Financial liabilities					
Trade and other payables	-	-	-	348	**348**
Borrowings	-	-	-	220,407	**220,407**
Derivative financial instruments	10,768	-	-	-	**10,768**

13 Financial instruments (continued)

b) Fair values of financial assets and liabilities

	30 June 2017		30 June 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$000's	$000's	$000's	$000's
Financial assets				
Cash and cash equivalents	2,000	2,000	2,000	2,000
Trade and other receivables	4,543	4,543	14,954	14,954
Loans and receivables	152,793	153,137	214,569	215,362
Financial liabilities				
Trade and other payables	833	833	348	348
Borrowings	156,104	155,705	220,407	217,947
Derivative financial instruments	2,399	2,399	10,768	10,768

The table above summarises the carrying value of financial assets and liabilities presented on the Trust's balance sheet.

The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

13 Financial instruments (continued)

c) 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 held by the Trust. For all other financial instruments, the Trust determines fair value using the discounted future cash flows.

Valuation control framework

The Trust has an established control framework with respect to the measurement of the fair values including independent price verification.

Specific controls include:

> verification of observable pricing;

> a review and approval process for new products; and

> analysis and investigation of significant daily valuation movements.

Valuation of financial assets and liabilities

The Trust measures fair values using the following fair value hierarchy, which reflects the significance of the inputs in making the measurement.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets/liabilities.

Level 2

Level 2 fair value measurements are those derived from inputs other than quoted prices within level 1 that are observable either directly (as prices) or indirectly (derived from prices).

Level 3

Level 3 fair value measurements are from inputs that are unobservable. Where equity investments have no quoted market price and fair value cannot be reliably measured these investments are carried at cost less impairment.

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred.

There were no significant transfers between levels during the year.

Valuation methodology

The following methodologies and assumptions have been used to determine fair values:

Financial assets available for sale

The carrying value of these financial instruments is considered to approximate their fair value.

Derivatives

Comparison to similar instruments for which market observable prices exist and other relevant models used by market participants.

Financial assets and liabilities carried at fair value

Valuation hierarchy	Level 1	Level 2	Level 3	Total
30 June 2017	$000's	$000's	$000's	$000's
Derivative financial instruments	-	2,399	-	**2,399**
Total financial liabilities carried at fair value	**-**	**2,399**	**-**	**2,399**
30 June 2016				
Derivative financial instruments	-	10,768	-	**10,768**
Total financial liabilities carried at fair value	**-**	**10,768**	**-**	**10,768**

13 Financial instruments (continued)

c) Fair value measurement (continued)

Financial assets and liabilities carried at amortised cost **Valuation hierarchy**	Level 1	Level 2	Level 3	Total fair value amount	Total carrying amount
30 June 2017	$000's	$000's	$000's	$000's	$000's
Loans and receivables	-	-	153,137	**153,137**	**152,793**
Total financial assets carried at amortised cost	-	-	153,137	**153,137**	**152,793**
Borrowings	-	155,705	-	**155,705**	**156,104**
Total financial liabilities carried at amortised cost	-	155,705	-	**155,705**	**156,104**
30 June 2016					
Loans and receivables	-	-	215,362	**215,362**	**214,569**
Total financial assets carried at amortised cost	-	-	215,362	**215,362**	**214,569**
Borrowings	-	217,947	-	**217,947**	**220,407**
Total financial liabilities carried at amortised cost	-	217,947	-	**217,947**	**220,407**

The table above analyses the fair value of the financial assets and liabilities of the Trust which are carried at amortised cost.

They are categorised into levels 1 to 3 based on the degree to which their fair value is observable.

Transfers between levels are deemed to have occurred at the beginning of the reporting period in which instruments are transferred.
There were no significant transfers between levels during the year.

Valuation methodology

Loans and receivables

The carrying value of loans and other receivables is net of specific and collective provisions for doubtful debts. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value.

The net fair value for fixed loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied represent the rate the market is willing to offer for these loans at arms-length.

The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.

Borrowings

The fair value for all Notes payable is calculated using a discounted cash flow model applying market rates and margins for similar instruments.

Trade and other receivables

Trade and other receivables and other assets include accrued interest, loan portfolio premium, other investments and other receivables. The carrying value is a reasonable estimate of fair value.

Trade and other payables

The carrying value for payables approximates fair value.

14 Auditors' remuneration

	2017	2016
	$	$
Total fees paid or due and payable to Ernst & Young (Australia):	9,499	9,126

15 Subsequent events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of AB Management Pty Ltd:

(a) the financial statements and notes of the Trust are in accordance with the Trust Deed and *Australian Accounting standards* , which:

(i) Present fairly the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) Comply with Australian Accounting Standards, and the Trust deed;

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

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

Maxwell Pedler
for and on behalf of AB Management Pty Ltd
as Manager of the Series 2013-2 Torrens Trust
31/10/2017

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Independent Auditor's Report to the Unitholders of Series 2013-2 Torrens Trust

Opinion

We have audited the financial report of Series 2013-2 Torrens Trust, (the "Trust"), which comprises the statement of financial position as at 30 June 2017, 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 directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Trust as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of AB Management Pty Ltd, the manager of the Trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust'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 Trust 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 Trust'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 Trust'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 Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young
Adelaide
31 October 2017