Medallion Trust Series 2016-2

ABN 36 930 251 534

Annual Report

for the year ended 30 June 2019

CommonwealthBank

Contents

The Directors of Securitisation Advisory Services Pty Limited ("the Manager") submit their report together with the Special Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-2 ("the Trust"), for the financial year ended 30 June 2019.

Trust Manager and Trustee

The Manager of the Trust for the reporting year was Securitisation Advisory Services Pty Limited.
The Trustee of the Trust for the reporting year was Perpetual Trustee Company Limited.

Principal activities

The Trust was established under the Commonwealth Bank of Australia ("the Bank") Medallion Trust Programme, which enables the securitisation of the Bank's own assets. The principal activities of the Trust during the financial year were the holding of loan receivables from the Bank and the issue of medium term notes ("MTNs") to fund these assets.

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

Review of operations

The Trust recorded a profit for the financial year of $142,000 (2018: $nil).

Distribution

Distribution paid and payable to the income unitholder, the Bank, in accordance with the Trust Deed, was $nil for the financial year (2018: $nil).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the financial year.

Likely developments and expected results of operations

Information as to likely developments in the operations of the Trust and the expected results of those operations in subsequent financial years have not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Trust.

Environmental regulation

The Trust's operations are not subject to any particular or significant environmental regulations under Australian Commonwealth, State or Territory law.

Interests in units of the Trust

As at the date of this report, no Director has any interests in the units of the Trust.

Events subsequent to the balance sheet date

The Manager is not aware of any matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations, the results of those operations or the state of affairs of the Trust in subsequent years.

Rounding of amounts

The amounts contained in this report and in the Financial Statements have been rounded to the nearest thousand dollars (where rounding is applicable).

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of the Medallion Trust Series 2016-2.

Director

Sydney
15 October 2019

Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue from continuing operations	2	**42,010**	49,487
Finance costs	3	**(40,740)**	(47,799)
Impairment on loans and other receivables	4	**142**	-
Operating expenses	5	**(1,270)**	(1,688)
Profit before income tax		**142**	-
Income tax expense		**-**	-
Profit for the year		**142**	-
Other comprehensive income, net of tax		**-**	-
Total comprehensive income attributable to unitholders of the Trust		**142**	-

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

Balance Sheet
As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	13(a)	**172**	179
Loans and other receivables	7	**1,140,421**	1,400,371
Other assets	8	**24,862**	31,422
Total assets		**1,165,455**	1,431,972
Liabilities			
Trade and other payables	9	**6,658**	8,123
Interest bearing liabilities	10	**1,159,749**	1,423,849
Total liabilities		**1,166,407**	1,431,972
Net liabilities attributable to unitholders of the Trust		**(952)**	-
Trust capital			
Trust corpus*	12	**-**	-
Retained earnings		**(952)**	-
Total trust capital attributable to unitholders of the Trust		**(952)**	-

* Trust corpus of $200 has been rounded to $nil.

The above Balance Sheet should be read in conjunction with the accompanying notes.

	Trust corpus* $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2017	-	-	-
Profit for the year	-	-	-
Total comprehensive income attributable to unitholders of the Trust	-	-	-
Balance at 30 June 2018	-	-	-
Balance at 1 July 2018	-	-	-
Change on adoption of new accounting standards (note 1(c))	-	(1,094)	(1,094)
Restated opening balance at 1 July 2018	**-**	**(1,094)**	**(1,094)**
Profit for the year	-	142	142
Total comprehensive income attributable to unitholders of the Trust	-	142	142
Balance at 30 June 2019	**-**	**(952)**	**(952)**

* Trust corpus of $200 has been rounded to $nil.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	**2019 $'000**	2018 $'000
Cash flows from operating activities			
Interest received from ultimate parent entity		**41,980**	54,464
Fee income received		**306**	335
Finance costs paid		**(40,948)**	(49,178)
Manager fees paid to related party		**(359)**	(485)
Arranger fees paid to related party		**(579)**	(1,219)
Trustee fees paid		**(72)**	(91)
Liquidity facility fees paid to ultimate parent entity		**(85)**	(56)
Other expenses paid		**(201)**	(238)
Net cash inflow from operating activities	13(c)	**42**	3,532
Cash flows from investing activities			
Receipts on loans to ultimate parent entity		**264,051**	368,441
Net cash inflow from investing activities		**264,051**	368,441
Cash flows from financing activities			
Repayment of notes issued	13(d)	**(264,100)**	(371,973)
Net cash outflow from financing activities		**(264,100)**	(371,973)
Net decrease in cash and cash equivalents		**(7)**	-
Cash and cash equivalents at the beginning of the financial period		**179**	179
Cash and cash equivalents at the end of the financial year	13(a)	**172**	179

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

1 Summary of significant accounting policies

(a) General information

The Special Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-2 (“the Trust”) for the financial year ended 30 June 2019 were approved and authorised for issue by the Board of Directors of Securitisation Advisory Services Pty Limited (“the Manager”) on 15 October 2019. The Directors of the Manager have the power to amend and reissue the Financial Statements.

The Trust was constituted on 16 December 2016 and established under the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 16 December 2016 for the purpose of purchasing loans from the Commonwealth Bank of Australia (“the Bank”) and issuing medium term notes ("MTNs") to fund such purchase. The Trustee of the Trust is Perpetual Trustee Company Limited.

The issue of notes to noteholders and beneficial interest to the income unitholder occurred on 10 January 2017.

The Trust will terminate on its Termination Date unless terminated earlier in accordance with the provisions of the Master Trust Deed and the Series Supplement. The Termination Date means the earliest of the following dates to occur:

(i) the date which is 80 years after the date of the constitution of the Trust;

(ii) the date on which the Trust terminates by operation of statute or by application of the general principles of law;

(iii) the date upon which the Trust terminates in accordance with the Master Trust Deed or the Series Supplement.

The Trust is domiciled in Australia. The address of its principal office is Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia.

The ultimate parent entity of the Manager and the Trust is the Commonwealth Bank of Australia ACN 123 123 124.

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Financial Statements cover the Trust as an individual entity.

(b) Basis of preparation

In the Manager’s opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements.

The Financial Statements have been prepared for the sole purpose of complying with the Trust Deed requirements to prepare and distribute a financial report to the Trustee and must not be used for any other purpose. The Financial Statements contain disclosures that are mandatory under the Australian Accounting Standards and the Manager has determined that the accounting policies adopted are appropriate to meet the needs of the Trustee. The Trust is a for-profit entity for the purpose of preparing the Financial Statements.

1 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

The amounts contained in the Financial Statements have been rounded to the nearest thousand dollars (where rounding is applicable).

The functional and presentation currency of the Trust has been determined to be Australian Dollars (AUD) as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Trust.

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

As at 30 June 2019, the Trust was in a net deficit position as its total liabilities exceeded total assets by $952K (2018: $nil) and has recognised a profit of $142K (2018: $nil) which represents changes in the loan impairment provision due to the adoption of AASB 9 *Financial Instruments* ("AASB 9").

The adoption of AASB 9 as described in Note 1(c) has resulted in a transition adjustment to the opening retained earnings and a corresponding provision recognised on the Balance Sheet. Holders of notes issued by the Trust only have recourse to the securitised home loans represented by the loan receivable by the Trust from the Bank. The notes are repaid from cash flows from the loan receivable, and if these collections are insufficient to fully repay noteholders, then the losses are borne by the noteholders and not by the Trust. The noteholders are thereby exposed to the credit risk of the underlying home loans. The gain from write-off of the notes can only be recognised on the winding down of the Trust. This results in a timing mismatch which causes a decrease in the net assets of the Trust. This timing mismatch will reverse when the Trust reaches its Termination Date, and has no impact on the Trust's operations. Therefore the Manager has determined that it is appropriate to prepare the Financial Statements on a going concern basis.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed further in Note 1 (n).

(c) New Accounting Standards and Future Accounting Developments

Adoption of new accounting standards

AASB 9 *Financial Instruments*

The Trust adopted AASB 9 Classification and Measurement, AASB 9 Impairment requirements and amendments in AASB 2017-6 related to prepayment features on 1 July 2018. The Trust has elected an accounting policy choice in AASB 9 to retain AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139") hedge accounting requirements, in line with the Commonwealth Bank of Australia Group's ("the Group") election. The Trust can commence applying AASB 9 hedging at the beginning of any reporting period in the future.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

AASB 9 Classification, Measurement and Impairment requirements have been applied on a retrospective basis. The Trust has adjusted the carrying amounts of financial instruments resulting from adoption of AASB 9 through opening retained earnings on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Trust has not restated the comparative period financial statements.

The key changes to the Trust's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

Impairment

AASB 9 introduced an expected credit loss ("ECL") impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is prospective and does not require evidence of an actual loss event for impairment provisions to be recognised.

The implementation of AASB 9 has required management to make a number of judgements and assumptions and has had a significant impact on the Trust's impairment methodology. A description of the key components of the Trust's AASB 9 impairment methodology is provided below.

ECL model

The ECL model applies to all financial assets measured at amortised cost. The model uses a three stage approach to recognition of expected credit losses. Financial assets migrate through these stages based on changes in credit risk since origination:

- *Stage 1: 12 months ECL - performing financial assets*
  On recognition, an impairment provision equivalent to 12 months' ECL is recognised against financial assets, being the credit losses expected to arise from defaults occurring over the next 12 months.
- *Stage 2: Lifetime ECL - performing financial assets that have experienced a significant increase in credit risk ('SICR')*
  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL, being the credit losses expected to arise from defaults occurring over the remaining life of the financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure is reclassified to Stage 1, and the impairment provision reverts to 12 months ECL.
- *Stage 3 - Lifetime ECL - non-performing financial assets*
  Non-performing Loans Financial assets in default recognise a provision equivalent to lifetime ECL. This includes assets that are considered credit impaired as well as assets that are considered to be in default but are not credit impaired.

Credit losses for financial assets in Stage 1 and Stage 2 are assessed collectively, whilst in Stage 3 are subjected to either collective or individual assessment of credit loss.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

Significant increase in credit risk (SICR)

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination. The Trust considers all available qualitative and quantitative information that is relevant to assessing SICR.

Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used by the Bank for internal credit risk management purposes across all portfolios. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Trust in full, or the exposure is 90 days past due. Financial assets are written-off when there is no realistic probability of recovery.

The Bank, as ultimate parent entity of the Trust, has developed and tested AASB 9 models, which the Trust used to calculate impairment provisions. Models have been independently validated and approved by the Group's Loan Loss Provisioning Committee and the Board Audit Committee. The Trust assessed impairment using the above methodology for cash and cash equivalents, loans to ultimate parent entity, interest receivable and collections of principal, interest and fees receivable.

ECL measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions. The Trust uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- Central scenario: This scenario reflects the Trust's base case assumptions used in business planning and forecasting, i.e. the economy continues along the current trajectory where economic growth continues supported by stable exchange rates and interest rates remaining at current levels over the short-term;
- Upside scenario: This scenario reflects the strengthening of the economy from the current state where the economy returns to above average growth and the central bank increases interest rates in the next year;
- Downside scenario: This scenario represents a deterioration from current state where the economy observes moderate weakening across most metrics as well as decreases in official interest rates; and
- Severe downside scenario: This scenario has been included to account for a potentially severe impact of less likely extremely adverse macro-economic conditions which would lead to the highest impairment losses expected over a longer horizon, such as a 30 year economic cycle.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risks at an industry, geographical location or a particular portfolio segment level.

Classification and Measurement

Under AASB 9, the classification and subsequent measurement of financial assets depends on:

- the business model within which the financial assets are managed; and
- the contractual cash flow characteristics of the asset, that is, whether the cash flows represent 'solely payments of principal and interest' (SPPI)

The Trust is also required to differentiate between financial asset debt instruments and financial asset equity instruments.

Financial asset debt instruments

There are three classifications of financial asset debt instruments under AASB 9:

- *Amortised cost*: Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows are measured at amortised cost.
- *Fair value through other comprehensive income (FVOCI):* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to both collect their cash flows and sell them are measured at FVOCI.
- *Fair value through profit or loss (FVTPL):* Financial assets that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL.

Financial asset equity instruments

Similar to AASB 139, AASB 9 requires investments in financial asset equity instruments to be measured at FVTPL, but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Should this election be made under AASB 9, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. These gains or losses however, may be reclassified within equity.

AASB 15 *Revenue from Contracts with Customers*

The Trust has adopted AASB 15 *Revenue from Contracts with Customers* ("AASB 15") from 1 July 2018, replacing the previous standard, AASB 118 *Revenue* ("AASB 118"). AASB 118 focused on revenue recognition upon the transfer of risks and rewards from the seller to the buyer. AASB 15 has introduced a single, principle-based five step recognition and measurement model for revenue recognition with a focus on when the performance obligations of the contract are satisfied.

1 Summary of significant accounting policies (continued)

(c) New Accounting Standards and Future Accounting Developments (continued)

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

Impacts of adopting AASB 9 and AASB 15

AASB 9 Financial Instruments

The adoption of AASB 9 Impairment requirements has resulted in a $1.1 million increase in provisions for loan impairment and a corresponding $1.1 million decrease in retained earnings as at 1 July 2018.

The increase in impairment provisions was mostly driven by the AASB 9 requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates.

There is no impact to the Trust's classification and measurement of financial assets as a result of adopting the Classification and Measurement requirements.

AASB 15 Revenue from Contracts with Customers

The Trust main source of revenue is interest income which is outside the scope of AASB 15. Therefore, the adoption of AASB 15 did not result in any impact on the Trust.

Future Accounting Developments

AASB 16 *Leases*

On 1 July 2019, the Trust adopted AASB 16 *Leases* ("AASB 16") replacing AASB 117 *Leases* ("AASB 117"). AASB 16 amends the accounting for leases. Lessees are required to bring both operating and finance leases onto the Balance Sheet as a right of use asset along with the associated lease liability. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting remains largely unchanged. There will be no impact from the adoption of AASB 16 on the basis that the Trust has not entered into any leases of any kind.

Other accounting developments

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to accounting policies.

(d) Offsetting

Income and expenses are only offset in the Statement of Comprehensive Income if permitted under the relevant accounting standard. Financial assets and liabilities are offset and the net amount is presented in the Balance Sheet if, and only if, there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(e) Revenue and expense recognition

Revenue is measured based on the consideration to which the Trust expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The Trust recognises revenue when a performance obligation to a customer is satisfied. The Trust recognises revenue from the following major sources:

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method and includes fees integral to the establishment of financial instruments. Fee income and direct costs relating to loan origination are deferred and amortised to interest earned on loans and other receivables over the life of the loan using the effective interest method.

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying amounts net of impairment provisions for financial assets in Stage 3.

(ii) Fee income

Fee income is recognised on an accrual basis.

(iii) Finance costs

Finance costs relating to the Medium Term Notes ("MTNs") and related borrowings are recognised on an accrual basis using the effective interest method.

(iv) Other expenses

Other expenses are recognised on an accrual basis.

(f) Income tax

Under current income tax legislation, the Trust is not liable for income tax provided its taxable income is fully distributed to the income unitholder.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

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

1 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank and money at short call with an original maturity of three months or less. They are measured at the face value or the gross value of the outstanding balance. Cash at bank earns interest at a floating rate based on daily deposit rates.

Extraordinary Expense Reserve

Extraordinary Expense Reserve was provided to meet possible shortfalls in the payment of interest on the notes other than the Class C notes and senior expenses in the event where all available facilities have been exhausted. This is an interest bearing account and interest will be recognised in the Statement of Comprehensive Income. The Extraordinary Expense Reserve is $150K (2018: $150K).

(i) Financial assets and liabilities

The Trust categorises its financial assets and liabilities in the following categories:

- Loans and other receivables
- Other receivables, excluding prepaid expenses
- Trade and other payables
- Liabilities at amortised cost - interest bearing liabilities
- Derivative assets/liabilities

(i) Loans and other receivables

Loans and other receivables are financial assets with fixed and determinable payments that are not quoted in an active market. They include loans to the ultimate parent entity. These financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost. Loans and other receivables are initially recognised at fair value including direct and incremental costs and are subsequently measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

Under Australian Accounting Standards, securitised loans originated by the Bank and held by the Trust, are not permitted to be derecognised from the books of the Bank. Accordingly, transactions and balances have been classified as intra-group assets, liabilities, revenues and expenses. This applies to transactions which have taken place with either the Bank or entities within the Group.

Securitised mortgage loans are classified as amounts due from the ultimate parent entity.

On 1 July 2018, the Trust adopted the AASB 9 Impairment requirements, which resulted in the implementation of an expected credit loss impairment model. As a result, from 1 July 2018 provisions are recognised in accordance with the AASB 9 expected credit loss approach. The details of the Trust's accounting policies and critical accounting judgements and estimates involved in calculating AASB 9 impairment provisions for the year ended 30 June 2019 are provided in Note 1(c).

1 Summary of significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Other receivables, excluding prepaid expenses

Other assets include collections of principal, interest and fees receivable from the ultimate parent entity as well as other unrealised income receivable are recorded at the cash value to be realised when settled.

(iii) Trade and other payables

Trade and other payables are initially measured at fair value including direct and incremental costs and are subsequently carried at amortised cost. These payables represent liabilities for goods and services provided to the Trust prior to the end of the financial year and arise when the Trust becomes obliged to make future payments in respect to the purchase of these goods and services.

(iv) Liabilities at amortised cost - interest bearing liabilities

Interest bearing liabilities comprise of Australian dollar denominated medium term notes issued by the Trust. Interest bearing liabilities are initially measured at fair value including direct and incremental costs and subsequently measured at amortised cost using the effective interest method.

(v) Derivative financial instruments

The Trust holds derivative financial instruments that comprise of interest rate swaps to manage exposures to interest rate risk.

Derivative financial instruments are used to hedge certain assets and liabilities.

Under Australian Accounting Standards, the securitised mortgage loans held by the Trust are not permitted to be derecognised from the financial statements of the originator. Derecognition is not permitted because the Bank provides interest rate swaps to the Trust and as a result retains exposure to substantially all the risks and rewards of the securitised loans. Under AASB 9, the Bank and the Trust should therefore not separately recognise the interest rate swaps in its entity-level Financial Statements.

Interest rate swaps and associated payments/receipts are therefore treated as part of imputed loans and intra-group interest.

Derecognition of financial assets and liabilities

The derecognition of a financial asset takes place when the Trust no longer controls the contractual rights that comprise the financial asset, which is normally the case when it is sold, or all the cash flows attributable to the asset are passed through to an independent third party and the risks and rewards have substantially been transferred.

The derecognition of a financial liability takes place when, and only when, it is extinguished, which is when the obligation specified in the contract is discharged, cancelled or expires.

(j) Other assets

Accounting policies for collections of principal, interest and fees receivable from the ultimate parent entity and other unrealised income receivable are described in Note 1(i) above.

Prepaid expenses are recognised on the service performed basis and amortised over the period in which the economic benefits from these assets are received.

1 Summary of significant accounting policies (continued)

(k) Provisions

A provision is recognised in the Balance Sheet when the Trust has a present obligation (legal, equitable or constructive) as a result of a past event, and where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

(l) Excess servicing fee payable to the income unitholder

Excess servicing fee payable to the income unitholder is accrued on a monthly basis as the excess income after all expenses have been accrued, except for unrealised gains or losses arising from fair value of financial instruments and impairment on loans and other receivables.

Excess servicing fee income represents the residual income of the Trust payable to the sole income unitholder, the Bank. Such income is offset with the interest income received on loans to the ultimate parent entity in the Financial Statements.

In accordance with the Trust Deed, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Manager, to the income unitholder, the Bank.

(m) Trust capital

Trust corpus - the beneficial interest in the Trust is divided into two units: one capital unit and one income unit. The income unit is a separate class of unit to the capital unit.

Capital unit

The capital unitholder in the Trust is the Bank.

The beneficial interest in the Trust represented by the capital unit is in each asset of the Trust (other than the beneficial interests in the asset represented by the income unit).

Income unit

The income unitholder in the Trust is the Bank. The beneficial interest represented by the income unit is limited to due but unpaid excess distribution.

(n) Critical judgements and estimates

The application of the Trust's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events, that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Trust's net assets and profit. Critical accounting judgements and estimates involved in calculating AASB 9 provisions for impairment are provided in Note 1(c). No other transactions or balances were subject to critical estimates or judgements during the financial year.

2 Revenue from continuing operations

	2019 $'000	2018 $'000
Interest income - ultimate parent entity	**41,709**	49,150
Fee income	**301**	337
Total revenue from continuing operations	**42,010**	49,487

3 Finance costs

	2019 $'000	2018 $'000
Interest expense on notes	**40,740**	47,799
Total finance costs	**40,740**	47,799

4 Impairment on loans and other receivables

	2019 $'000	2018 $'000
Impairment on loans and other receivables	**(142)**	-
Total impairment on loans and other receivables	**(142)**	-

5 Operating expenses

	2019 $'000	2018 $'000
Arranger fees - related party	**552**	824
Manager fees - related party	**359**	448
Liquidity facility fees - ultimate parent entity	**86**	56
Trustee fees	**72**	90
Other expenses	**201**	270
Total operating expenses	**1,270**	1,688

6 Remuneration of auditor

	2019 $	2018 $
Audit fees	**20,220**	19,612

7 Loans and other receivables

	2019 $'000	2018 $'000
Loans to ultimate parent entity	**1,141,373**	1,400,371
Less: Provision for impairment losses	**(952)**	-
Total loans and other receivables	**1,140,421**	1,400,371

8 Other assets

	2019 $'000	2018 $'000
Interest receivable on loans to ultimate parent entity	**1,748**	2,333
Collections of principal, interest and fees receivable from ultimate parent entity	**23,083**	29,059
Prepaid expenses	**31**	30
Total other assets	**24,862**	31,422

9 Trade and other payables

	2019 $'000	2018 $'000
Interest payable - medium term notes	**567**	775
Excess servicing fees payable - ultimate parent entity	**5,842**	7,074
Manager fees payable - related party	**7**	7
Arranger fees payable - related party	**37**	64
Liquidity facility fees payable - ultimate parent entity	**2**	1
Trustee fees payable	**1**	1
Extraordinary expense reserve payable to ultimate parent entity	**150**	150
Other payables	**52**	51
Total trade and other payables	**6,658**	8,123

10 Interest bearing liabilities

	2019 $'000	2018 $'000
Medium term notes	**1,159,749**	1,423,849
Total interest bearing liabilities	**1,159,749**	1,423,849

11 Distribution

Distribution paid and payable to the income unitholder, the Bank, for the financial year was $nil (2018: $nil).

12 Trust corpus

Trust corpus as at 30 June 2019 was $200 (2018: $200), which is rounded to $nil.

13 Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

	2019 $'000	2018 $'000
Cash at bank	**172**	179
Cash and cash equivalents at the end of the period	**172**	179

(b) Financing facilities

The Trust has access to financing facilities from the Bank. An agreement exists between the entities for the advance to be on an 'at call' basis and for as long as it may be required. A liquidity facility is provided by the Bank for the purpose of funding certain income shortfalls in the Trust up to the facility limit of $11.0 million (2018:$15.0 million). The amount drawn under this facility at period end was $nil (2018: $nil).

(c) Reconciliation of profit to net cash inflow from operating activities

	2019 $'000	2018 $'000
Profit for the year	**142**	-
Adjustment for non cash items:		
Impairment on loans and other receivables	**(142)**	-
Change in operating assets and liabilities:		
Decrease in other assets	**1,507**	1,900
Decrease in interest payable	**(208)**	(1,379)
(Decrease)/increase in other payables	**(1,257)**	3,011
Net cash inflow from operating activities	**42**	**3,532**

13 Notes to the Statement of Cash Flows (continued)

(d) Reconciliation of liabilities arising from financing activities

	Medium term notes $'000	Extraordinary expense reserve payable $'000	Total $'000
Balance at 1 July 2017	**1,795,822**	**150**	**1,795,972**
Changes from financing cash flows			
Repayment of borrowings	(371,973)	-	(371,973)
Balance at 30 June 2018	**1,423,849**	**150**	**1,423,999**
Balance at 1 July 2018	**1,423,849**	**150**	**1,423,999**
Changes from financing cash flows			
Repayment of borrowings	(264,100)	-	(264,100)
Balance at 30 June 2019	**1,159,749**	**150**	**1,159,899**

14 Contingent liabilities, contingent assets and commitments

There were no outstanding contingent liabilities, contingent assets or commitments as at 30 June 2019 (2018: $nil).

15 Events subsequent to the balance sheet date

The Manager is not aware of any matter or circumstance that has occurred since the end of the financial year 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 years.

In the opinion of the Manager:

(a) the Financial Statements and Notes thereto comply with applicable Accounting Standards to the extent described in Note 1 and the Master Trust Deed dated 8 October 1997;

(b) the Financial Statements and notes thereto give a true and fair view of the Trust's financial position as at 30 June 2019 and of its performance for the financial year ended 30 June 2019, in accordance with the bases of accounting set out in Note 1;

(c) the Trust operated during the year ended 30 June 2019 in accordance with the provisions of the Master Trust Deed; and

(d) in the opinion of the Manager, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of Medallion Trust Series 2016-2.

Director
Sydney
15 October 2019

The Special Purpose Financial Statements for the financial year ended 30 June 2019 have been prepared by the Trust Manager, Securitisation Advisory Services Pty Limited as required by the Master Trust Deed.

The Auditor of the Trust, PricewaterhouseCoopers, who has been appointed by us in accordance with the Master Trust Deed, has conducted an audit of these Financial Statements.

A review of operations of the Trust and the results of those operations for the reporting period is contained in the Manager's Report.

Based on our ongoing program of monitoring the Trust, the Trust Manager and our review of the Financial Statements, we believe that:

(i) the Trust has been conducted in accordance with the Master Trust Deed; and

(ii) the Financial Statements have been appropriately prepared and contain all relevant and required disclosures.

We are not aware of any material matter or significant change in the state of affairs of the Trust occurring up to the date of this report that requires disclosure in the Financial Statements and the Notes thereto that has not already been disclosed.

Signed for and on behalf of Perpetual Trustee Company Limited as Trustee of Medallion Trust Series 2016-2.

Sydney
15 October 2019

pwc

Independent auditor's report

To the unitholders of Medallion Trust Series 2016-2

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of Medallion Trust Series 2016-2 (the Trust) as at 30 June 2019 and of its financial performance and its cash flows for the year then ended in accordance with Master Trust Deed dated 8 October 1997 and Series Supplement dated 16 December 2016.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the manager's statement.

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

Independence

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 (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.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist Medallion Trust Series 2016-2 to meet the requirements of the Master Trust Deed dated 8 October 1997 and Series Supplement dated 16 December 2016. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Medallion Trust Series 2016-2 and its unitholders and should not be distributed to or used by parties other than Medallion Trust Series 2016-2 and its unitholders. Our opinion is not modified in respect of this matter.

Other information

The Manager of the Trust is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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 on the other information that we obtained prior to the date of this auditor's report, 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 Trust Manager for the financial report

The Manager of the Trust is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Master Trust Deed dated 8 October 1997 and Series Supplement dated 16 December 2016, and this includes determining that the basis of preparation as described in Note 1 is an acceptable basis of preparation in the circumstances. The Manager of the Trust is also responsible for such internal control as the Manager of the Trust determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Manager of the Trust is responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager of the Trust either intends 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ashley Wood

A S Wood
Partner

Sydney
15 October 2019