Torrens Series 2013-2 Trust

Financial Report 2019

Directors' Report

In accordance with the Series Supplement, the Directors of AB Management Pty Ltd, the Responsible Entity of the Torrens Series 2013-2 Trust ("the Trust"), submit their report for the year ended 30 June 2019.

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 2019.

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

M McKay (appointed 4 July 2019)
P J Ormandy
M L Pedler (resigned 4 July 2019)

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 2019, as represented by the results of its operations, was as follows:

Net assets ('000s) :	-
Total interest income and other revenue ('000s) :	1,624
Total operating profit ('000s) :	757

The total value of assets held by the Torrens Series 2013-2 Trust as at 30 June 2019 was $94,316,000 (2018: $120,721,000).

Management fees paid to AB Management Pty Ltd during the financial year were $28,898 (2018: $37,783).

Units on Issue
1 Capital unit and 1 Income unit of the Trust were on issue as at 30 June 2019 (2018: 1 Capital & 1 Income).

Distributions/(Contributions)
A distribution to ordinary Unitholders of $757,122 (2018: Distribution $1,636,959) 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.

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 Series Supplement 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 indemnify 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.

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

Directors' report (continued)

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:

M McKay - Director (non-executive) of AB Management Pty Ltd (appointed 4 July 2019)
P J Ormandy - Director (non-executive) of AB Management Pty Ltd
M L Pedler - Director (non-executive) of AB Management Pty Ltd (resigned 4 July 2019)

(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 Torrens Series 2013-2 Trust.

MgMcKay

Mark McKay
31/10/2019

Statement of Comprehensive Income
For the year ended 30 June 2019

	2019	2018
	$000's	$000's
Net Interest Income		
Interest on loans	4,545	6,057
Interest on collections	62	65
Coupon expense to noteholders	(3,100)	(3,852)
Total net interest income	**1,507**	**2,270**
Other revenue		
Fee revenue	117	171
Gain on derivative financial instruments	-	646
Total other revenue	**117**	**817**
Total interest income and other revenue	**1,624**	**3,087**
Expenses		
Swap payments	461	977
Management fee	29	38
Servicing fee	241	315
Trustee fee	37	48
Other trust expenses	99	72
Total expenses	**867**	**1,450**
Net profit attributable to unitholders	**757**	**1,637**
Other comprehensive income	-	-
Total comprehensive income for the year	**757**	**1,637**

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

Statement of Financial Position
As at 30 June 2019

	Note	2019 $000's	2018 $000's
Assets			
Cash and cash equivalents	3	4,233	4,939
Trade and other receivables	4	397	751
Loans and receivables	5	89,686	114,915
Derivative financial instruments	6	-	116
Total assets		**94,316**	**120,721**
Liabilities			
Trade and other payables	7	2,682	1,147
Borrowings	8	91,634	117,705
Derivative financial instruments	6	-	1,869
Total liabilities excluding net assets attributable to unitholders		**94,316**	**120,721**
Net assets attributable to unitholders		-	-

Statement of changes in Net Assets attributable to Unitholders
For the year ended 30 June 2019

	Note	2019 $000's	2018 $000's
Net assets attributable to unitholders at the beginning of the year		-	-
Net profit attributable to unitholders		757	1,637
Distributions to unitholders	9	(757)	(1,637)
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 2019

	Note	2019 $000's	2018 $000's
Cash flows from operating activities			
Interest on loans		4,644	6,216
Interest on collections		63	65
Fee revenue		117	171
Swap payments		(450)	(1,007)
Payment to noteholders		(3,146)	(3,875)
Management fee		(30)	(39)
Servicing fee		(246)	(323)
Trustee fee		(38)	(50)
Other trust expenses		(91)	(91)
Net cash flows from operating activities	10	**823**	**1,067**
Cash flows from investing activities			
Loan repayments		30,585	45,130
Loan redraws		(5,357)	(7,253)
Net cash flows from investing activities		**25,228**	**37,877**
Cash flows from financing activities			
Principal payments to noteholders		(26,071)	(38,400)
Distribution to unitholders	9	(938)	(1,237)
Receipt from related parties		252	3,632
Net cash flows used in financing activities		**(26,757)**	**(36,005)**
Net (decrease)/increase in cash and cash equivalents		(706)	2,939
Cash and cash equivalents held at the beginning of the financial year		4,939	2,000
Cash and cash equivalents held at the end of the financial year	3	**4,233**	**4,939**

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

1 Trust Information

The financial report of Torrens Series 2013-2 Trust ("the Trust") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors of the Manager of the Trust on 31 October 2019. 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 Series Supplement 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

In these financial statements, the Trust has applied, for the first time, AASB 9 Financial Instruments and the consequential to AASB 7 Financial Instruments: Disclosures, and AASB 15 Revenue from Contracts with Customers. The nature and effect of the key changes as a result of the adoption of these new accounting standards has been described below.

AASB 9 Financial Instruments

From 1 July 2018, the Trust adopted AASB 9, which replaced AASB 139 *Financial Instruments: Recognition and Measurement* , and addresses classification and measurement, impairment and hedge accounting. As permitted by the transition provisions of AASB 9, the Trust elected not to restate comparative period results, therefore, the comparative information is reported under AASB 139 and is not comparable with the information presented for the current year. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application were recognised directly in Other Comprehensive Income as of 1 July 2018 and are disclosed below.

<u>(i) Classification and measurement</u>

Upon initial recognition, all financial assets are measured at fair value. Subsequent measurement is determined through consideration of the business model for managing the financial assets and the contractual cash flow characteristics of the instrument. There are four measurement classifications under AASB 9, being:

> amortised cost;
> fair value through other comprehensive income (FVOCI) with recycling;
> fair value through other comprehensive income (FVOCI) without recycling; and
> fair value through profit or loss (FVTPL).

Debt instruments held within a business model where the objective is to collect contractual cashflows which are solely payments of principal and interest (SPPI) are measured at amortised cost. Debt instruments are measured at FVOCI when they are held within a business model where the objective is to both collect contractual cashflows of SPPI and sell the financial assets. While changes in the fair value of these instruments are recognised directly in Other Comprehensive Income, upon disposal, the cumulative gain or loss is recycled from equity to profit or loss. If debt instruments are held within a business model with the objective of selling financial assets, they are measured at FVTPL. Debt instruments are also measured at FVTPL when the contractual cashflows are not SPPI or when they are designated at FVTPL.

The accounting for financial liabilities remains essentially the same as it was under AASB 139, except that changes in the fair value of liabilities designated at FVTPL arising from an entity’s own credit risk must be recorded in other comprehensive income with no subsequent reclassification to profit or loss. The Trust measures financial liabilities at amortised cost if they are not held for trading, otherwise they are measured at FVTPL.

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

(c) Changes in accounting policies (continued)

AASB 9 Financial Instruments (continued)

The Trust's accounting policies applied to financial assets and liabilities are explained in the Notes.

(ii) Impairment

The adoption of AASB 9 has fundamentally changed the Trust's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Trust to recognise a provision for ECLs for all debt instruments held at amortised cost or FVOCI, together with loan commitments and financial guarantees that are not measured at FVTPL.

The Trust has not recorded a provision for expected credit losses as these have not been considered to be material with regards to the Trust.

(iii) Hedge accounting

As the Trust does not have any designated hedges the changes under AASB 9 did not have a significant impact to the Trust.

(iv) Transition to AASB 9 disclosures

On transition to AASB 9, there was no financial impact to opening balances as at 1 July 2018.

Changes to the classification of financial instruments on adoption of AASB 9 have been disclosed in the Notes of the financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 redefines the principles for recognising revenue and is applicable to all contracts with customers other than contracts within the scope of other standards including interest and fee income integral to financial instruments which is within the scope of AASB 9.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Trust adopted AASB 15 from 1 July 2018. Many of the Trust's revenue streams (e.g., interest income, gains and losses on financial instruments) are outside the scope of AASB 15 and, therefore, accounting for those streams did not change as a result of the adoption of the new standard.

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 2019.

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. As the Trust does not have any leases, this standard will not impact the Trust.

The following amendments to existing standards are not expected to result in significant changes to the Trust's accounting policies:

> 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation [AASB 9];*

> 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures [AASB 128];*

> 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2018 Cycle [AASB 11, AASB 112 and AASB 123];*

> 2018-2 Amendments to Australian Accounting Standards - *Plan amendment, Curtailment or Settlement;*

> *AASB Interpretation 23, and relevant amending standards. Uncertainty over Income Tax Treatments;*

> 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business [AASB 3];*

> 2018-7 *Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AAS 108];*

> *Conceptual Framework for Financial Reporting;*

> 2018-1 *Amendments to Australian Accounting Standards – Reference to the Conceptual Framework;*

> AASB 17 *Insurance Contracts.*

2 Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Trust's accounting policies and the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis.

(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 (applicable prior to 1 July 2018)

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) Financial assets at amortised costs

A financial asset is measured at amortised cost only if both of the following conditions are met:

> the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

> the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in the Notes.

Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial Assets at amortised cost represent primarily restricted bank deposits.

2 Summary of significant accounting policies (continued)

(h) 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.

Effective interest method

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.

Impairment of financial assets

The adoption of AASB 9 has fundamentally changed the Trust's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Trust to recognise a provision for ECLs for all debt instruments held at amortised cost or FVOCI, together with loan commitments and financial guarantees that are not measured at FVTPL.

Further details of the Trust's impairment policy are disclosed in the Notes.

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 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.

(i) 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.

(j) 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.

(k) 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.

(l) Derivative Financial Instruments

The Trust uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations.

Refer to the note for further details.

2 Summary of significant accounting policies (continued)

(m) Revenue Recognition

Interest income or expense on financial instruments that are recognised at amortised cost or fair value through other comprehensive income are measured using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument. Calculation of the effective interest rate takes into account fees receivable (ie origination and application fees) or payable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are an integral part of the instrument's yield, premiums or considered when estimating future cash flows.

Fee revenue is recognised at an amount that reflects the consideration to which the Trust expects to be entitled, once the fee can be reliably measured and any underlying performance obligations are satisfied.

(n) 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.

(o) 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.

(p) 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.

(q) Comparatives

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

(r) 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 Trust documentation, 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.

3 Cash and cash equivalents

	2019	2018
	$000's	$000's
Bank deposit	4,233	4,939
Total cash and cash equivalents	**4,233**	**4,939**

4 Trade and other receivables

	2019	2018
	$000's	$000's
Receivables from related parties	72	325
Other receivables	325	426
Total trade and other receivables	**397**	**751**

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

5 Loans and receivables

	2019	2018
	$000's	$000's
Loans	89,686	114,915
Total loans and receivables	**89,686**	**114,915**

The loans are of various terms to maturity ranging up to 23 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	-	4
Longer than 1 and not longer than 5 years	179	311
Longer than 5 years	89,507	114,598
Total loans and receivables	**89,686**	**114,915**

6 Derivative financial instruments

The Trust enters into derivative financial instruments with Bendigo and Adelaide Bank Pty Ltd (The Bank) which enable it to manage interest rate risk.

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

Accounting policy (effective as of 1 July 2018)
Upon adoption of AASB9 on 1 July 2018, The Trust no longer recognises the interest rate derivatives entered into with The Bank.
As the terms of the derivative prevent the transfer of the loans from being accounted for as a sale, The Bank and The Trust should not seperately recognise the derivatives in the entity level financial statements.

Accounting policy (effective prior to 1 July 2018)
The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

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.

	2019	2018
Derivatives held for trading - Interest rate swaps	$000's	$000's
Fair value assets	-	116
Fair value liabilities	-	(1,869)
Notional amount	-	(117,705)

7 Trade and other payables

	2019	2018
	$000's	$000's
Distribution payable	2,536	965
Other creditors and accruals	146	182
Total trade and other payables	**2,682**	**1,147**

The components of 'Other creditors and accruals' 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.

8 Borrowings

	2019	2018
	$000's	$000's
Class A Notes - unsecured	76,749	98,584
Class AB Notes - unsecured	11,164	14,340
Class B Notes - unsecured	3,721	4,781
Total borrowings	**91,634**	**117,705**

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

These Notes are floating rate notes with interest payable to Noteholders based on BBSW plus a margin.

9 Distribution to unitholders

	2019	2018
	$000's	$000's
Accrued distribution at the beginning of the year	965	565
Add profit for the year	757	1,637
Derecognition of derivative financial instrument	1,752	-
Less distribution for the year	(938)	(1,237)
Accrued distribution to Unitholders	**2,536**	**965**

10 Cash flow statement reconciliation

	2019	2018
	$000's	$000's
Profit after income tax	757	1,637
Adjustments for accrued operating movements		
Interest received	100	159
Interest on collections	-	1
Gain on derivative financial instrument	-	(646)
Swap receipts/(payments)	11	(31)
Coupon payments	(46)	(22)
Other income/(expenses)	1	(31)
Net cash flow from operating activities	**823**	**1,067**

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.

	2019	2018
	$000's	$000's
Bendigo and Adelaide Bank Ltd	241	315
AB Management Pty Ltd	29	38
Collections receivable from Bendigo and Adelaide Bank Ltd	72	325

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) and 2(g).

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.

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.
Related party 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	Net Assets	Decrease in Interest Rate	Post Tax Profit	Net Assets
30 June 2019		$000's	$000's		$000's	$000's
Financial Asset						
Cash and cash equivalents	+ 1.00%	42	-	- 1.00%	(42)	-
Loans and receivables	+ 1.00%	897	-	- 1.00%	(897)	-
Derivative financial instruments	+ 1.00%	-		- 1.00%	-	-
Financial Liability						
Borrowings	+ 1.00%	(916)	-	- 1.00%	916	-
Derivative financial instruments	+ 1.00%	-	-	- 1.00%	-	-
30 June 2018						
Financial Asset						
Cash and cash equivalents	+ 1.00%	49	-	- 1.00%	(49)	-
Loans and receivables	+ 1.00%	1,149	-	- 1.00%	(1,149)	-
Derivative financial instruments	+ 1.00%	1	-	- 1.00%	(1)	-
Financial Liability						
Borrowings	+ 1.00%	(1,177)	-	- 1.00%	1,177	-
Derivative financial instruments	+ 1.00%	(19)	-	- 1.00%	19	-

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 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 2019 and 2018.

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-2019				30-June-2018			
	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	72	-	-	-	118	-	-	-
Management fees accrued	2	-	-	-	3	-	-	-
Other creditors	2,608	-	-	-	1,026	-	-	-
Borrowings	22,843	62,807	11,180	-	34,312	16,159	76,227	-
Derivatives	-	-	-	-	635	296	518	-
Total	**25,525**	**62,807**	**11,180**	-	**36,094**	**16,455**	**76,745**	-

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 2019	-	179	89,507	**89,686**
30 June 2018	6	311	114,598	**114,915**

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.

30 June 2019	High Grade $000's	Standard Grade $000's	Sub-Standard Grade $000's	Unrated $000's	Total $000's
Cash and cash equivalents	4,233	-	-	-	**4,233**
Trade and other receivables	-	-	-	397	**397**
Loans and receivables	89,130	556	-	-	**89,686**
Derivative financial instruments	-	-	-	-	**-**
30 June 2018					
Cash and cash equivalents	4,939	-	-	-	**4,939**
Trade and other receivables	-	-	-	751	**751**
Loans and receivables	110,625	4,290	-	-	**114,915**
Derivative financial instruments	116	-	-	-	**116**

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 Statement of Financial Position heading.

	Fair Value through Profit or Loss	Fair value through other comprehensive income	Amortised cost		
	Derivatives	Financial assets	Loans and receivables	Other financial instruments	Total
30 June 2019	$000's	$000's	$000's	$000's	$000's
Financial assets					
Cash and cash equivalents	-	-	-	4,233	**4,233**
Trade and other receivables	-	-	397	-	**397**
Loans and receivables	-	-	89,686	-	**89,686**
Derivative financial instruments	-	-	-	-	**-**
Financial liabilities					
Trade and other payables	-	-	-	2,682	**2,682**
Borrowings	-	-	-	91,634	**91,634**
Derivative financial instruments	-	-	-	-	**-**

	Fair Value through Profit or Loss	At fair value through Reserves	Amortised cost		
	Derivatives	Available for sale	Loans and receivables	Other financial instruments	Total
30 June 2018	$000's	$000's	$000's	$000's	$000's
Financial assets					
Cash and cash equivalents	-	-	-	4,939	**4,939**
Trade and other receivables	-	-	751	-	**751**
Loans and receivables	-	-	114,915	-	**114,915**
Derivative financial instruments	116	-	-	-	**116**
Financial liabilities					
Trade and other payables	-	-	-	1,147	**1,147**
Borrowings	-	-	-	117,705	**117,705**
Derivative financial instruments	1,869	-	-	-	**1,869**

13 Financial instruments (continued)

b) Fair values of financial assets and liabilities

	30 June 2019		30 June 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$000's	$000's	$000's	$000's
Financial assets				
Cash and cash equivalents	4,233	4,233	4,939	4,939
Trade and other receivables	397	397	751	751
Loans and receivables	89,686	89,862	114,915	115,159
Derivative financial instruments	-	-	116	116
Financial liabilities				
Trade and other payables	2,682	2,682	1,147	1,147
Borrowings	91,634	91,749	117,705	117,822
Derivative financial instruments	-	-	1,869	1,869

The table above summarises the carrying value of financial assets and liabilities presented on the Trust's Statement of Financial Position.

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.

Financial assets at amortised cost

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

Derivatives

Where the Trust's derivative assets and liabilities are not traded on an exchange, they are valued using valuation methodologies, including discounted cash flow and option pricing models as appropriate. The most significant inputs into the valuations are interest rate yields which are developed from publicly quoted rates.

13 Financial instruments (continued)

Financial assets and liabilities carried at fair value

Valuation hierarchy	Level 1	Level 2	Level 3	Total
30 June 2019	$000's	$000's	$000's	$000's
Derivative financial instruments	-	-	-	-
Total financial assets carried at fair value	-	-	-	-
Derivative financial instruments	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-
30 June 2018				
Derivative financial instruments	-	116	-	116
Total financial assets carried at fair value	-	116	-	116
Derivative financial instruments	-	1,869	-	1,869
Total financial liabilities carried at fair value	-	1,869	-	1,869

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 2019	$000's	$000's	$000's	$000's	$000's
Loans and receivables	-	-	89,862	**89,862**	**89,686**
Total financial assets carried at amortised cost	-	-	89,862	**89,862**	**89,686**
Borrowings	-	91,749	-	**91,749**	**91,634**
Total financial liabilities carried at amortised cost	-	91,749	-	**91,749**	**91,634**
30 June 2018					
Loans and receivables	-	-	115,159	**115,159**	**114,915**
Total financial assets carried at amortised cost	-	-	115,159	**115,159**	**114,915**
Borrowings	-	117,822	-	**117,822**	**117,705**
Total financial liabilities carried at amortised cost	-	117,822	-	**117,822**	**117,705**

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

	2019	2018
	$	$
Total fees paid or due and payable to Ernst & Young (Australia):	8,100	9,026

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 Series Supplement and Australian Accounting standards, which:

(i) Present fairly the Trust's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) Comply with Australian Accounting Standards, and the Series Supplement;

(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.

Mark McKay
for and on behalf of AB Management Pty Ltd
as Manager of the Torrens Series 2013-2 Trust
31/10/2019

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

Opinion

We have audited the financial report of Torrens Series 2013-2 Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2019, 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 2019, 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.

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Responsibilities of the Directors for the Financial Report

The directors 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.

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

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

Ernst & Young

Mark Phelps
Engagement Partner
Adelaide
31 October 2019