SERIES 2018-1 REDS TRUST

ABN 70 932 250 880

2019 ANNUAL FINANCIAL REPORT

FOR THE FIRST PERIOD FROM 24 MAY 2018 TO 31 AUGUST 2019

Contents

SERIES 2018-1 REDS TRUST
STATEMENT BY MANAGER
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

In the opinion of the Manager:

In the opinion of the Manager:

(a) the Trust is not publicly accountable nor a reporting entity

(b) The financial statements and notes, set out on pages 3 to 16

- Present fairly the financial position of the Trust as at 31 August 2019 and the financial performance, as represented by the results of the operations and the cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation as described in notes 1(a) and (b); and
- Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in note 1(a).

(c) the Trust has operated during the financial period ended 31 August 2019 in accordance with the provisions of the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2018-1 REDS Trust Series Supplement dated 28 May 2018.

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

Dated in Brisbane this 15th day of November 2019.

Signed on behalf of the Manager, B.Q.L. Management Pty Ltd,

Anthony Rose
Executive

SERIES 2018-1 REDS TRUST
TRUSTEE'S REPORT
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

The financial statements for the financial period ended 31 August 2019 have been prepared by the Trust's Manager, B.Q.L. Management Pty Ltd, as required by the Master Trust Deed dated 10 February 1998 (as amended).

The auditors of the Trust, KPMG, who have been appointed by us in accordance with the Master Trust Deed, have conducted an audit of the financial statements.

Based on our ongoing program of monitoring the Trust, we believe that:

(a) the Trust has been conducted in accordance with the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2018-1 REDS Trust Series Supplement dated 28 May 2018.

(b) These financial statements are special purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1(a).

In making this statement, the Trustee has relied upon information, representations and warranties provided by the Manager.

We are not aware of any material matters or significant changes in the state of affairs of the Trust occurring up to the date of this report that require disclosure in the financial statements and the notes thereto that have not already been disclosed.

Signed for and on behalf of
Perpetual Trustee Company Limited

Nathan Gale
Senior Client Service Manager

Dated in Sydney this 15th day of November 2019.

SERIES 2018-1 REDS TRUST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

	24 May 2018 to 31 Aug 2019[1] $'000
Revenue	
Interest income	**43,332**
Other income	**594**
Total income	**43,926**
Expenses	
Interest paid to Class A1 noteholders	**30,394**
Interest paid to Class A2 noteholders	**1,027**
Interest paid to Class AB noteholders	**409**
Interest paid to Class B noteholders	**822**
Interest paid to Class C noteholders	**744**
Interest paid to Class D noteholders	**419**
Interest paid to Class E noteholders	**736**
Management fees	**962**
Trustee and custodian fees	**409**
Contracted servicing fees	**2,395**
Movement in provision for mortgage loans	**697**
Other expenses	**233**
Total expenses before distribution expense to unitholders	**39,247**
Profit from operating activities	**4,679**
Distribution expense and net assets attributable to unitholders	**(4,679)**
Changes in net assets attributable to unit holders / total comprehensive income	**-**

[1] The August 2019 financial results reflect the adoption of AASB 9 Financial Instruments (**AASB 9**) and AASB 15 *Revenue from Contracts with Customers* (**AASB 15**) on 1 September 2018. Refer to Note 1(c) for the impact from the initial adoption of AASB 9 and AASB 15.

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

SERIES 2018-1 REDS TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

The Trust's net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments*; Presentation.

As the Trusts hold no equity, movements in equity have not been included for the current year and for any comparative years.

The statement of changes in equity should be read in conjunction with the accompanying notes.

SERIES 2018-1 REDS TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2019

	Note	**2019[1] $'000**
Assets		
Cash and cash equivalents	8(a)	**28,407**
Receivables	3	**1,969**
Financial assets	4	**704,614**
Total assets		**734,990**
Liabilities		
Payables	5	**2,834**
Interest bearing liabilities	6	**732,156**
Total liabilities (excluding net assets attributable to unitholders)		**734,990**
Represented by:		
Net assets attributable to unitholders – liability	7	**-**

(1) The August 2019 financial results reflect the adoption of AASB 9 Financial Instruments (**AASB 9**) and AASB 15 *Revenue from Contracts with Customers* (**AASB 15**) on 1 September 2018. Refer to Note 1(c) for the impact from the initial adoption of AASB 9 and AASB 15.

The statement of financial position should be read in conjunction with the accompanying notes.

SERIES 2018-1 REDS TRUST
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2019

	Note	24 May 2018 to 31 Aug 2019 $'000
Cash flows from operating activities		
Interest and fees received		**43,327**
Interest and fees paid		**(37,442)**
Payments to noteholders		**732,156**
Principal repayment of mortgage loans		**(706,041)**
Net cash inflow from operating activities	8(b)	**32,000**
Cash flows from investing activities		
Payment for mortgage loans		**(1,000,000)**
Net cash outflow from investing activities		**(1,000,000)**
Cash flows from financing activities		
Proceeds from issue of notes		**1,000,000**
Liquidity facility		**150**
Distribution paid to income unit holder		**(3,743)**
Net cash inflow from financing activities		**996,407**
Net increase in cash and cash equivalents		**28,407**
Cash and cash equivalents at the beginning of the financial year		**-**
Cash and cash equivalents at the end of the financial year	8(a)	**28,407**

The statement of cash flows should be read in conjunction with the accompanying notes.

1. Significant accounting policies

The financial report was authorised for issue by the Manager on 15 November 2019.

The registered office of the Manager, B.Q.L. Management Pty Ltd, is Level 6, BOQ Village,100 Skyring Terrace, Newstead Queensland, 4006.

The significant policies which have been adopted in the preparation of these financial reports are set out below:

(a) Statement of compliance

In the opinion of the Manager, the Trust is not a reporting entity. The financial report of the Trust has been drawn up as special purpose financial report for distribution to the investors.

The special purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASB's') adopted by the Australian Accounting Standards Board ('AASB'), subject to the exceptions noted below, and the requirements of the Master Trust Deed dated 10 February 1998 (as amended).

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB101	Presentation of financial statements
AASB107	Statement of cash flows
AASB108	Accounting policies, Changes in Accounting Estimates and Errors
AASB1048	Interpretation and Application Standards
AASB1054	Australian Additional Disclosures

The financial report does not include all the disclosure, measurement and recognition requirements of AASB 9 *Financial Instruments* (refer to note 1 (b)).

(b) Basis of preparation

The Series 2018-1 REDS Trust was established by the Master Trust Deed dated 10 February 1998 (as amended) between the Manager (B.Q.L. Management Pty Ltd) and the Trustee (Perpetual Trustee Company Limited) and the Series 2018-1 REDS Trust Series Supplement dated 28 May 2019 between the Seller and Servicer (Bank of Queensland Limited – "the Bank"), the Manager (B.Q.L. Management Pty Ltd) and the Trustee (Perpetual Trustee Company Limited).

The Trust was established with the purpose of carrying on a business to provide funds for the purchase of investments being mortgage loans. The Trust funded the purchase of mortgage loans through the issue of Class A1, Class A2, Class AB, Class B, Class C, Class D, Class E notes which represent the debt of the Trust.

The financial statements cover an extended period from 24 May 2018 to 31 August 2019 as no financial statements were prepared for this Trust in the previous financial year.

The financial report has been presented in Australian dollars and prepared on the historical cost basis. No comparatives are available for prior years as this is the first year financial statements are being prepared for the Trust.

As noted above all the requirements of AASB 9 have not been adopted in the preparation of these financial statements. The major impact of fully adopting AASB 9 would have been that the Trust would have recognised a financial asset due from the Bank, representing a secured loan rather than the underlying securitised mortgages. The interest receivable on the financial asset would have represented the return on an imputed loan between the Bank and the Trust, being the interest income under the mortgages, net of the fees payable to the Bank by the Trust and the net interest income/expense recognised under derivative contracts such as interest rate swaps. Derivative financial instruments have not been recognised in these financial statements except to the extent set out in note 1(e).

The preparation of a financial report in conformity with AASB's requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

Those areas which involve significant estimation, uncertainty and critical judgements in applying accounting policies and have the most significant effect on the amounts recognised in the financial report is impairment of financial assets as described in Note 1(c) Implementation of new Australian accounting standards - Impairment

(c) New accounting standards and amendments

The following are the amendments to standards and interpretations applicable for the first time in the current year, and the impact of these on the Trust:

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions;*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*;
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Ame*ndments;
- AASB 2017-3 *Amendments to Australia Accounting Standards – Clarifications to AASB 4*;
- AASB *Interpretation 22 - Foreign Currency Transactions and Advance Consideration*;
- AASB 9 *Financial Instruments* - The impact of implementing this new standard is disclosed below; and
- AASB 15 *Revenue from Contracts with Customers* - The impact of implementing this new standard is disclosed below.

The Trust has reviewed the impact of the above and, apart from AASB 9 and AASB 15, determined there to be no material impact.

AASB 9 *Financial Instruments (AASB 9)*
The standard became mandatory for the Trust in this financial year commencing 1 September 2018 and replaces the guidance under AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**). AASB 9 introduces changes in the classification and measurement of financial assets and liabilities, in addition to a new expected credit loss model for impairment.

Classification and measurement
AASB 9 introduced new requirements which determine how financial assets are classified and measured. Financial assets, except equity instruments and derivatives, are classified according to their contractual cash flow characteristics and the business model in place for managing the financial asset.

1. Significant accounting policies (continued)

(c) New accounting standards and amendments (continued)

The AASB 139 measurement categories of financial assets (fair value through profit or loss, available-for-sale, held-to-maturity and loans & receivables) have been replaced by:

- Amortised cost - From 1 September 2018, the Trust only classifies financial assets as amortised cost when both of the following conditions are met:
  - The financial asset is held within a business model where the objective is to hold them in order to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI).
  - The Trust has the following financial assets in this category: cash and cash equivalents, mortgages and receivables.

- Fair value through other comprehensive income (FVOCI) – a financial asset is classified at FVOCI when both of the following conditions are met:
  - The financial asset is held within a business model where the objective is achieved by holding them in order to collect contractual cash flows and selling the financial assets; and
  - The contractual terms of the financial asset give rise to cash flows that meet the SPPI test. These instruments largely comprise assets that had previously been classified as financial assets available-for-sale under AASB 139.
  The Trust does not hold any financial assets in this category.

- Fair value through profit or loss (FVTPL) - Financial assets in this category are those that are held for trading and have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under AASB 9. These instruments largely comprise assets that had previously been classified as financial assets held for trading under AASB 139. The Trust does not hold any financial assets in this category.

Financial liabilities
Financial liabilities continue to be measured at amortised cost.

Impairment
The adoption of AASB 9 has resulted in a change in the Trust's impairment methodology by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (**ECL**) approach. The impairment requirements have been adopted from 1 September 2018 and an allowance for ECLs has been recorded for all loans and receivables.

The ECL allowance is based on the credit losses expected to arise over the next 12 months of the financial asset, unless there has been a significant increase in credit risk (**SICR**) since origination. In this case, the allowance is based on the ECL for the life of the financial asset. The 12 months' ECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial asset that are possible within the 12 months after the reporting date.

At the end of each reporting period, the Trust performs an assessment of whether a financial asset's credit risk has increased significantly since initial recognition. This is done by considering the change in the risk of default occurring over the remaining life of the financial asset.

Write-offs
Financial assets are written off, either partially or in full, against the related provision when the Trust concludes that there is no reasonable expectation of recovery and all possible collateral has been realised. Recoveries of financial assets previously written off are recognised based on the cash received.

Significant increase in credit risk
SICR for financial assets are assessed by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date compared to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk, the Trust considers qualitative and quantitative information. For most of the Trust's portfolio, a statistical model has been developed to identify where a facility's recent behaviour has deteriorated significantly from its origination behaviour. For all loan portfolios, the primary indicator is in addition to the secondary SICR indicator, which is based on 30 days past due arrears information.

1. Significant accounting policies (continued)

(c) New accounting standards and amendments (continued)

Calculation of ECL
Both 12 months' ECLs and lifetime ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial assets. Where ECL is modelled collectively for portfolios of exposures, it is modelled primarily as the product of the PD, the loss given default (**LGD**) and the exposure at default (**EAD**). These parameters are generally derived from internally developed statistical models combined with historical, current, and forward-looking information, including macro-economic data:

- The 12-months and lifetime PD, for accounting purposes, represent the estimation of the point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk;
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility; and
- The LGD represents the expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised, and the time value of money.

Incorporation of forward-looking information
The credit risk factors described above are at a point in time estimates based on the probability weighted forward-looking economic scenarios. The inclusion of a forward-looking component in the model anticipates changes in the economic outlook, which will likely increase the volatility of the provision. The Trust considers four forward-looking macro-economic scenarios (boom, recovery, slow down and recession) over time horizons ranging from one year to over four years to ensure a sufficient unbiased representative sample is included in estimating the forward-looking ECL. Sensitivity analysis is also performed on each of the macro-economic scenarios and if conditions warrant, this could result in a management overlay for economic uncertainty which is included in the ECL.

The scenarios, including its underlying indicators, are developed using a combination of publicly available data, internal forecasts and third party information to form the initial baseline. The scenarios are refined through consultation with internal specialists and benchmarking to external data from reputable sources, which includes forecasts published from a range of market economists and official data sources, including major central banks. Economic outlook factors that are taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, inflation, commercial and residential property price indexes, and require an evaluation of both the current and forecast direction of the macro-economic cycle.

Incorporating forward looking information, including macro-economic forecasts, increases the degree of judgement required to assess how changes in these data points will affect ECLs. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Governance
The Executive Credit Committee of the BOQ Group has the delegation for reviewing and approving the methodology, and any judgements and assumptions. A Quarterly Economic Forum is held by the parent entity to discuss and approve future economic forecasts, and the associated probability weights and economic scenarios which are then incorporated into the Trust's ECL model. Where applicable, management adjustments or overlays may be made to account for situations where known or expected risks and information have not been considered in the modelling process. Key areas of judgement, as determined by the parent entity and applied to the Trust's provision for impairment on loans and receivables, are reported to the parent entity's Audit Committee and Board at each reporting period.

Transition
There are no changes in the classification and measurement of financial assets of the Trust or financial liabilities.

The Trust does not have any transition adjustments to its opening balance sheet or retained earnings at 1 September 2018 from the impact of the adoption of AASB 9.

1. Significant accounting policies (continued)

(c) New accounting standards and amendments (continued)

AASB 15 *Revenue from contracts with customers* (AASB 15)
AASB 15 was adopted by the Trust on 1 September 2018, replacing the previous guidance under AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.
AASB 15 establishes a single comprehensive five step revenue recognition and measurement model to account for revenue arising from contracts with customers. Five steps of the revenue model include:

1. Identification of the contract with a customer;
2. Identification of the separate performance obligations in the contract;
3. Determination of the transaction price under the contract;
4. Allocation of the transaction price to each performance obligation identified in Step 2; and
5. Recognition of revenue when a performance obligation is satisfied.

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 occur in future periods.

Revenue arising from items such as financial instruments and leases are outside the scope of AASB 15 and continues to be accounted for in accordance with the relevant applicable standard. The revenue within the scope of AASB 15 includes fee income.

Transition
The Trust has reviewed the other income within the scope of AASB 15 and determined that there is no material impact on transition to AASB 15.

AASB 16 *Leases* (AASB 16)
The following standard is applicable to the Trust in future financial periods and the impact of this standard has not been applied in these financial statements.

AASB 16 Leases introduces a single on-balance sheet accounting model for lessees for recognising and measuring lease arrangements and will replace AASB 117 *Leases* (**AASB 117**). It will become mandatory for the Trust in the financial year commencing 1 September 2019. Lessor accounting under AASB 16 remains largely unchanged from AASB 117.

For lessees on transition, the standard requires identification of leases that provide the right to control the use of an identified asset for a period of time. For these leases, the Trust is required to recognise on balance sheet a right-of-use (**ROU**) asset, representing the right to use the underlying asset, and a lease liability, representing the future lease payment obligations.

From the assessment undertaken to date, no material impacts on the Trust's financial statements have been identified.

(d) Mortgage Loans

The mortgage loans are recognised at fair value at acquisition date plus transaction costs that are directly attributable to the loans. Mortgage loans are subsequently measured at amortised cost using the effective interest method less any impairment loss (refer to note 1 (c)). Mortgage loans are mortgage insured loans secured by first registered mortgages over residential properties.

Past-due loans
Past-due loans are loans which are over 90 days in arrears. Interest on these loans continue to be taken to income. Days in arrears are calculated for each loan in accordance with Clause 1.1 of the Series Supplement as follows:

$$\frac{\text{Principal balance of loan less Scheduled balance of loan}}{\text{Monthly principal and interest repayment due}} \times 30$$

1. Significant accounting policies (continued)

(e) Derivative financial instruments

The Trust is exposed to changes in interest rates from its activities. The Trust uses interest rate swaps as derivative financial instruments to hedge these risks. Derivative financial instruments are not held for speculative purposes. Interest payments and receipts under interest rate contracts are recognised on an accruals basis in the statement of profit or loss and other comprehensive income as an adjustment to interest income during the period.

(f) Income tax

Under current legislation the Trust is not subject to income tax as the taxable income, including the assessable realised capital gains, is distributed in full to the unitholder. The Trust fully distributes its distributable income, calculated in accordance with the Master Trust Deed (as amended) and Series Supplements and applicable taxation legislation, to the unitholders who are presently entitled to the income.

(g) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash at the Manager's option and are subject to insignificant risk of changes in value.

(h) Income and expenses

Income and expenses are brought to account on an accruals basis.

The Manager and Trustee are entitled under the Master Trust Deed (as amended), to be reimbursed for certain expenses incurred in administering the Trust. The basis on which the expenses are reimbursed is defined in the Series Supplement. The amount reimbursed is disclosed in the statement of profit or loss and other comprehensive income and was calculated in accordance with the Series Supplement.

(i) Revenue recognition

Interest revenue

Interest income is recognised using effective interest rate on the financial asset. The effective interest rate is the rate that discounts estimated future receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Trust that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include mortgage loan acquisition costs such as commissions paid to intermediaries.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairments.

1. Significant accounting policies (continued)

(j) Receivables

Receivables are carried at their amortised cost less impairment losses. Refer to note 1(c).

(k) Payables

Liabilities are recognised for amounts to be paid in the future for services received. Accounts payable are non-interest bearing, stated at amortised cost and are normally settled within 30 days.

(l) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest rate method.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred (or portion of GST incurred) is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances the irrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Clean up Provisions per Trust Deed Supplement

The Manager may direct the Bank to repurchase or transfer the remaining mortgage loans to another REDS Series Trust where:

(i) The aggregate principal outstanding on the receivables on the last day of any Monthly Period, when expressed as a percentage of the total principal outstanding at the commencement of the Trust is below the clean up percentage of 10%; or

(ii) The tenth anniversary of the Closing Date of the Trust occurs; provided the Australian Prudential Regulation Authority ("APRA") has advised that it will permit the Bank to exercise its rights to repurchase the remaining receivables.

(o) Rounding

Amounts in this financial report have been rounded off to the nearest thousand Australian dollars, unless otherwise stated.

	24 May 2018 to 31 Aug 2019 $'000

2. Auditor's remuneration

The auditor's remuneration for the Trust is paid by the parent entity, the Bank. The following amounts were attributable to the Trust in relation to the audit, transaction testing and the securitisation set up fees for the Trust.

Fees paid to the Auditor of the Company, KPMG Australia:

Audit services:	
Audit of financial reports	**4**
Other services:	
Other services	**5**
	9

3. Receivables

Interest receivable from mortgagors	**1,070**
Interest collections receivable from servicer	**141**
Principal collections receivable from servicer	**730**
GST recoverable	**28**
	1,969

4. Financial assets

Mortgage loans	**705,311**
Less: provision for impairment – Stage 1 - 12 Months ECL	**(91)**
Less: provision for impairment – Stage 2 – Lifetime ECL	**(455)**
Less: provision for impairment – Stage 3 – Lifetime ECL	**(151)**
	704,614

5. Payables

Distribution payable to income unitholder	**937**
Interest payable to noteholders	**929**
Interest rate swap payable	**611**
Liquidity facility cash advance from servicer	**150**
Other	**207**
	2,834

	24 May 2018 to 31 Aug 2019 $'000
6. Interest bearing liabilities	
Class A1 notes	**652,156**
Class A2 notes	**26,000**
Class AB notes	**9,400**
Class B notes	**17,800**
Class C notes	**13,400**
Class D notes	**6,200**
Class E notes	**7,200**
	732,156

A floating charge exists over all the assets of the Trust securing the amounts owing to each noteholder and any other secured creditor.

7. Net assets attributable to unitholders	
Opening Balance	
Profit from operating activities	**4,679**
Distribution expense	**(4,679)**
Closing balance	**-**

8. Notes to statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	**28,407**

(b) Reconciliation of net operating income to net cash inflow from operating activities

Profit from operating activities	**4,679**
Adjustments for non cash items:	
Movement in impairment provision	**697**
Change in operating assets and liabilities during the financial year:	
Increase in receivables	**(1,969)**
Increase in financial assets	**(705,311)**
Increase in payables	**1,748**
Increase in interest bearing liabilities	**732,156**
Net cash outflow from operating activities	**32,000**

9. Segment reporting

The Trust operates in the mortgage securitisation industry in Australia.

10. Contingencies and commitments

The Trust has no material contingent liabilities or commitments as at 31 August 2019.

11. Events subsequent to reporting date

There has not arisen, in the interval between the end of the year and the date of this report, any item, transaction or event of a material and unusual nature, likely, in the opinion of the Trustee, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

KPMG

Independent Auditor's Report

To the Trustee of the Series 2018-1 REDS Trust

Opinion

We have audited the ***Financial Report*** of the Series 2018-1 REDS Trust (the Trust).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of Series 2018-1 REDS Trust as at 31 August 2019, and of its financial performance and its cash flows for the period from 24 May 2018 to 31 August 2019, in accordance with the basis of preparation described in Note 1 to the financial statements.

The ***Financial Report*** comprises:

- Statement of Financial Position as at 31 August 2019
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the period from 24 May 2018 to 31 August 2019
- Notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared to assist the Trustee of Series 2018-1 REDS Trust in meeting the financial reporting requirements of the Master Trust Deed.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Trustee of Series 2018-1 REDS Trust and should not be used by or distributed to parties other than the Trustee of Series 2018-1 REDS Trust. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Trustee of Series 2018-1 REDS Trust or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Series 2018-1 REDS Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Trust Manager is responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Trust Manager for the Financial Report

The Trust Manager is are responsible for:

- The preparation and fair presentation of the Financial Report in accordance with the financial reporting requirements of the Master Trust Deed and have determined that the basis of preparation described in Note 1 is appropriate to meet the needs of the investors;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustee is responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audits of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

KPMG

KPMG

Tracey Barker
Partner

Brisbane
15 November 2019