

# APOLLO SERIES 2013-1 TRUST

ABN 74 245 651 471

# APOLLO SERIES 2015-1 TRUST

ABN 28 113 418 979

# APOLLO SERIES 2017-2 TRUST

ABN 33 215 199 342

# APOLLO SERIES 2018-1 TRUST

ABN 85 571 276 337

## Financial Reports

for the financial year ended 30 June 2021

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# MANAGER'S REPORT

## For the financial year ended 30 June 2021

For the purposes of this report, the 'Manager' refers to SME Management Pty Limited. The Manager has prepared this special purpose financial report under delegation of Perpetual Trustee Company Limited (the **Trustee**).

The Manager of APOLLO Series 2013-1 Trust, APOLLO Series 2015-1 Trust, APOLLO Series 2017-2 Trust and APOLLO Series 2018-1 Trust (the **Trusts**) presents its report together with the financial statements of the Trusts for the financial year ended 30 June 2021.

### Principal activities

The Trusts' principal activities during the year consisted of carrying on a business to provide funds for the purchase of mortgage loans by equitable assignment. The Trusts funded the purchase of the mortgage loans by equitable assignment through the issue of Australian dollar bonds. The bonds were issued as follows and represent debts of the Trusts. APOLLO Series 2013-1 – Class A, AB, B1 and B2; APOLLO Series 2015-1 – Class A, AB, B1, B2 and B3; APOLLO Series 2017-2 – Class A1, A2, AB, B, C, D and E; and APOLLO Series 2018-1 – Class A1, A2, AB, B, C, D and E.

There have been no significant changes in the nature of the principal activities of the Trusts during 2021.

### Operating and financial review

The Trusts' net profit from operating activities before distribution expense for the financial year ended 30 June 2021 was, APOLLO Series 2013-1 \$1.95m (2020: \$2.39m), APOLLO Series 2015-1 \$2.96m (2020: \$3.85m), APOLLO Series 2017-2 \$5.99m (2020: \$6.58m), and APOLLO Series 2018-1 \$5.34m (2020: \$6.60m).

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the Trusts during the financial year.

### Events subsequent to reporting 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 Trusts, the results of its operations or the state of affairs of the Trusts in subsequent financial years.

### Likely developments

There have been no substantial changes in the operations of the Trusts, and no substantial changes are expected in the coming financial year.


### Environmental disclosure

The operations of the Trusts are not subject to significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory of Australia. The Trusts have not incurred any liability (including for rectification costs) under any environmental legislations.

### Rounding of amounts

All amounts have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Manager, SME Management Pty Limited.

  
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**Director** ERIN STRANG  
**SME Management Pty Limited**

Brisbane

27 August 2021

## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2021

	Note	2013-1		2015-1		2017-2		2018-1	
		2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
<b>Revenue</b>									
Interest income on secured loan		3,831	6,584	6,332	11,367	14,047	24,086	12,944	22,842
Other income on secured loan		248	367	435	561	467	569	419	518
<b>Total revenue</b>		<b>4,079</b>	<b>6,951</b>	<b>6,767</b>	<b>11,928</b>	<b>14,514</b>	<b>24,655</b>	<b>13,363</b>	<b>23,360</b>
<b>Expenses</b>									
Interest expense on floating rate notes		(2,116)	(4,327)	(3,709)	(7,625)	(8,563)	(17,108)	(7,755)	(15,973)
Trustee and Manager fee		(128)	(160)	(225)	(282)	(465)	(602)	(441)	(574)
Other expenses		(53)	(43)	(46)	(46)	(55)	(56)	(49)	(50)
Expected credit loss on financial assets - release/(expense)	3.2	169	(32)	172	(121)	555	(310)	222	(163)
<b>Total expenses</b>		<b>(2,128)</b>	<b>(4,562)</b>	<b>(3,808)</b>	<b>(8,074)</b>	<b>(8,528)</b>	<b>(18,076)</b>	<b>(8,023)</b>	<b>(16,760)</b>
<b>Profit before distribution expenses</b>		<b>1,951</b>	<b>2,389</b>	<b>2,959</b>	<b>3,854</b>	<b>5,986</b>	<b>6,579</b>	<b>5,340</b>	<b>6,600</b>
Servicing fee		(421)	(527)	(741)	(928)	(1,523)	(1,974)	(1,445)	(1,883)
Residual income rights		(1,530)	(1,862)	(2,218)	(2,926)	(4,463)	(4,605)	(3,895)	(4,717)
<b>Total distribution expenses</b>		<b>(1,951)</b>	<b>(2,389)</b>	<b>(2,959)</b>	<b>(3,854)</b>	<b>(5,986)</b>	<b>(6,579)</b>	<b>(5,340)</b>	<b>(6,600)</b>
<b>Profit before tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income tax expense		-	-	-	-	-	-	-	-
<b>Profit for the financial period attributable to the unitholders of the Trusts</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period attributable to the unitholders of the Trusts</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The statements of comprehensive income are to be read in conjunction with the accompanying notes.

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

Note	2013-1		2015-1		2017-2		2018-1	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
<b>Assets</b>								
	150	150	4,650	4,650	150	150	150	150
Cash and cash equivalents								
Secured loan income receivable	191	264	352	489	608	877	609	882
Receivable from related party	1,291	1,715	5,787	7,757	13,905	22,443	11,562	20,161
GST receivable	8	11	15	19	30	40	29	38
Secured loans	3	162,810	284,376	364,344	577,638	750,126	552,925	714,642
<b>Total assets</b>		164,450	295,180	377,259	592,331	773,636	565,275	735,873
<b>Liabilities</b>								
<b>Payables</b>								
Interest payable	44	56	156	209	211	322	292	398
Distribution payable	554	486	5,622	5,814	1,465	1,613	1,611	1,981
Interest-bearing liabilities	5	163,794	289,247	371,030	590,344	770,893	563,109	732,486
<b>Total liabilities excluding outstanding units</b>		164,450	295,180	377,259	592,331	773,636	565,275	735,873
Units on issue	6	-	-	-	-	-	-	-
<b>Total liabilities</b>		164,450	295,180	377,259	592,331	773,636	565,275	735,873
<b>Net assets</b>		-	-	-	-	-	-	-

The statements of financial position are to be read in conjunction with the accompanying notes.

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2021

The Trusts' net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Trusts have no equity, and no items of changes in equity have been presented for the current or comparative year.

## STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2021

Note	2013-1		2015-1		2017-2		2018-1	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
	5,664	8,360	10,809	15,728	23,198	34,930	21,659	32,828
Cash flows from operating activities	251	367	446	580	457	570	430	532
Secured loan interest income receipts	(10,562)	(13,592)	(14,365)	(19,556)	(29,139)	(36,551)	(18,455)	(18,192)
Other operating income received	53,463	61,810	96,147	101,425	209,688	251,721	187,832	232,608
Cash paid for redraws on secured loan	(3,731)	(6,023)	(7,821)	(11,968)	(17,036)	(26,901)	(15,813)	(25,168)
Repayment of secured loan	(2,017)	(2,500)	(3,159)	(4,008)	(6,057)	(7,932)	(5,779)	(7,559)
Interest paid on floating rate notes	(166)	(203)	(275)	(332)	(562)	(667)	(497)	(633)
Distribution paid	7	42,902	81,782	81,869	180,549	215,170	169,377	214,416
Fees paid								
Net cash from operating activities	(42,902)	(48,219)	(81,782)	(81,869)	(180,549)	(215,170)	(169,377)	(214,416)
Cash flows from financing activities	(42,902)	(48,219)	(81,782)	(81,869)	(180,549)	(215,170)	(169,377)	(214,416)
Repayment of floating rate note principal								
Net cash (used in) financing activities	150	150	4,650	4,650	150	150	150	150
Net increase in cash and cash equivalents	150	150	4,650	4,650	150	150	150	150
Cash and cash equivalents at the beginning of the financial period	150	150	4,650	4,650	150	150	150	150
Cash and cash equivalents at the end of financial period	150	150	4,650	4,650	150	150	150	150

The statements of cash flows are to be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting entity

The APOLLO Series 2013-1, APOLLO Series 2015-1, APOLLO Series 2017-2, and APOLLO Series 2018-1 Trusts (the Trusts) are domiciled in Australia.

The Trusts were established with the purpose of carrying on a business to provide funds for the purchase of mortgage loans by equitable assignment.

The Trusts were established by the Master Trust Deed (the **Trust Deed**) between the Manager (SME Management Pty Limited) and the Trustee (Perpetual Trustee Company Limited) dated 28 January 1999 and the Trust Series Supplements between the Seller and Servicer (Suncorp-Metway Limited), the Manager and the Trustee.

In accordance with the Trust Deed, the Trusts were constituted following the receipt of \$200, being the initial assets of the Trusts, on the following dates:

- APOLLO Series 2013-1 – 14 May 2013
- APOLLO Series 2015-1 – 20 February 2015
- APOLLO Series 2017-2 – 21 September 2017
- APOLLO Series 2018-1 – 23 April 2018

The Trusts funded the purchase of the mortgage loans by equitable assignment through the issue of Australian dollar bonds. The bonds were issued as follows and represent debts of the Trusts.

- APOLLO Series 2013-1 – Class A, AB, B1 and B2
- APOLLO Series 2015-1 – Class A, AB, B1, B2 and B3
- APOLLO Series 2017-2 – Class A1, A2, AB, B, C, D and E
- APOLLO Series 2018-1 – Class A1, A2, AB, B, C, D and E

The parent entity of the Trusts is Suncorp-Metway Limited (**SML**) and the ultimate parent entity is Suncorp Group Limited (**SGL**). The registered office of the Manager is at Level 28, 266 George Street, Brisbane QLD 4000.

The financial report was authorised for issue by the directors of SME Management Pty Limited on 27 August 2021.

## 2. Basis of preparation

The Trusts are for-profit entities and their financial statements have been prepared on the historical cost basis unless the application of fair value measurement is required by relevant accounting standards.

In the opinion of the Directors, the Trusts are not reporting entity's as there are no users dependent on general purpose financial reports. The financial statements of the Trusts have been prepared as special purpose financial statements for the sole purpose of fulfilling the requirements of the Trust Deed dated 28 January 1999.

The financial report is presented in Australian dollars which is the Trusts' functional and presentation currency. Refer to note 9 for information on the significant accounting policies adopted in the preparation of these financial statements.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

### 2.1. New Australian Accounting Standards

#### Revised Conceptual Framework

The Trusts have applied the Revised Conceptual Framework (AASB Framework) for Financial Reporting from 1 July 2020. The AASB Framework establishes consistent concepts upon which future accounting standards will be developed. The AASB Framework also includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts. The impact on the Trusts' financial statements is not considered to be material.

## 2.2. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed in the following notes:

- Expected credit loss model methodology, estimates and assumptions (note 3.3)
- recognition of secured loan as a consequence of the sale of mortgage loans by SML not qualifying for de-recognition (note 9.6).

### COVID-19 impact on the use of estimates and assumptions

Given the ongoing economic uncertainties from COVID-19, the Trusts have continued to monitor its financial reporting procedures and governance practices surrounding the preparation of the financial statements. While the effects of COVID-19 do not change the areas requiring significant estimation and judgment in the preparation of the financial statements, it has resulted in estimation uncertainty and application of further judgment within those identified areas and, where relevant, is disclosed in the notes to this financial report. Consistent with previous periods the most significant area impacted by COVID-19 is the provision for expected credit loss (**ECL**) impairment on financial assets which is outlined in note 3.3.



### 3. Secured loans

Note	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
Gross secured loan	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Provision for expected credit loss	162,816	205,575	284,415	364,555	577,815	750,858	553,089	715,028
	(6)	(175)	(39)	(211)	(177)	(732)	(164)	(386)
Net secured loan	162,810	205,400	284,376	364,344	577,638	750,126	552,925	714,642

The Trusts recognised a receivable due from SML, representing a secured loan (also refer note 9.6) rather than the underlying securitised mortgages. The secured loan is secured by an equitable interest in the mortgage loans held by SML.

The collateral against the mortgage loans held by SML is in the form of mortgage interests over Australian residential property. Estimates of the fair value are based on the value of collateral assessed at the time of origination, and generally are not updated except when a loan is individually assessed as impaired.

The potential for impairment of the secured loan reflects the potential impairment of the underlying mortgage loans managed by SML.

#### 3.1 Reconciliation of provision for expected credit on financial assets

Note	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
Provision for expected credit loss opening balance	(175)	(143)	(211)	(90)	(732)	(422)	(386)	(223)
Movement during the year	169	(32)	172	(121)	555	(310)	222	(163)
Provision for expected credit loss closing balance	(6)	(175)	(39)	(211)	(177)	(732)	(164)	(386)

#### 3.2 Expected credit loss on financial assets

	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
Decrease (increase) in collective provision for impairment	18	3	54	(3)	579	(310)	228	(106)
Decrease (increase) in specific provision for impairment	151	(35)	118	(118)	(24)	-	(6)	(57)
Total expected credit loss on financial assets	169	(32)	172	(121)	555	(310)	222	(163)

### 3.3 Expected credit loss model methodology, estimates and assumptions

COVID-19 impact on significant estimates, judgements and assumptions

The provision for impairment on financial assets is considered to be a significant accounting estimate and judgment as forecast macroeconomic conditions are a key factor in determining the ECL for loans and advances. The COVID-19 pandemic and the associated prevention measures continue to have a profound impact on the Australian and global economy. Key economic indicators such as residential property prices and unemployment have improved. However, there remains downside economic risk associated with future lockdowns and delays in vaccine rollouts which could impede economic recovery.

Expected credit loss model

Expected credit losses (ECL) are recorded for all financial assets measured at amortised cost. ECL is calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example forecasts for real-GDP, unemployment rates and changes in residential property prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a 6-monthly basis, taking into account expert judgment, and are approved by the SML's Asset and Liability Committee. Management has included overlays to the modelled provisions to capture emerging risks that have not yet been captured in the ECL model.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

Asset quality	Provision established to provide for ECL for:
Stage 1 Performing and/or newly originated assets.	A 12-month period.
Stage 2 Have experienced a significant increase in credit risk (SICR) since origination.	The remaining term of the asset (lifetime ECL).
Stage 3 In default as they are either past due but not impaired or impaired assets.	Lifetime ECL.

Agency ratings reflect the quality of underlying securitised mortgages. A SICR event occurs if agency ratings deteriorate below the point where substantially all units issued are no longer considered to be investment grade.

As at 30 June 2021, given the nature of the secured loan being a fully collateralised receivable due from SML and relevant agency ratings concerning investment quality of the Trusts, the entire ECL for each of the Trusts is classified as stage 1.

**4. Payables**

	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Unapplied funds	34	273	80	112	156	607	209	822
Manager fee	4	5	13	17	27	35	25	33
Servicer fee	17	21	52	67	107	140	10	133
Liquidity and redraw facility fee	-	-	1	-	1	1	1	1
Trustee fee	1	1	4	3	9	11	8	6
Custodian fee	2	2	5	7	11	14	10	13
<b>Total payables</b>	<b>58</b>	<b>302</b>	<b>155</b>	<b>206</b>	<b>311</b>	<b>808</b>	<b>263</b>	<b>1,008</b>

**5. Interest-bearing liabilities**

	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Floating rate notes	163,794	206,696	289,247	371,030	590,344	770,893	563,109	732,486
<b>Total interest-bearing liabilities</b>	<b>163,794</b>	<b>206,696</b>	<b>289,247</b>	<b>371,030</b>	<b>590,344</b>	<b>770,893</b>	<b>563,109</b>	<b>732,486</b>

**6. Units on issue**

	2013-1		2015-1		2017-2		2018-1	
	No. of units	\$	No. of units	\$	No. of units	\$	No. of units	\$
Units on issue								
Income unit	1	100	1	100	1	100	1	100
Capital units (A & B)	10	100	10	100	10	100	10	100
Total units on issue	11	200	11	200	11	200	11	200

The Income and the Capital Unitholder has no right to receive distribution in respect of the Trusts except:

- The Income Unitholder has only the right to receive payments of the Income Unit Amount in accordance with the respective Trust Series Supplements and only to the extent that funds are available for this purpose in accordance with the respective Trust Series Supplement. The Income Unit may be transferred at any time subject to the prior written consent of the Trustee and the Manager;
- The Class A Capital Unitholder has only the right to receive payments under relevant clause of the respective Trust Series Supplements and only to the extent that the funds are available for this purpose in accordance with the respective Trust Series Supplement up to a maximum amount in aggregate of \$1,000;
- The Class B Capital Unitholder has only the right to receive payments under the respective Trust Series Supplements and only to the extent that funds are available for this purpose in accordance with the respective Trust Series Supplement; and on the termination of the Trusts, the capital of the Trust Series remaining after the payment (or provision for payment) of all other outgoings and amounts by the Trustee pursuant to the respective Trust Series Supplement including, without limitation, payments or the provision of payment to the Class A Capital Unitholder in that capacity; and
- The Capital units are non-transferable.

**7. Reconciliation of cash flows from operating activities**

	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Profit for the financial period	-	-	-	-	-	-	-	-
Non-cash items								
Expected credit loss on financial assets	(169)	32	(172)	121	(555)	310	(222)	163
Change in assets and liabilities								
Decrease in secured loan principal	42,759	47,388	80,139	80,495	173,043	220,433	161,939	214,613
Decrease (increase) in receivables	500	996	2,111	2,323	8,817	(2,835)	8,881	1,175
(Decrease) in total payables	(188)	(197)	(296)	(1,070)	(756)	(2,738)	(1,221)	(1,535)
<b>Net cash from operating activities</b>	<b>42,902</b>	<b>48,219</b>	<b>81,782</b>	<b>81,869</b>	<b>180,549</b>	<b>215,170</b>	<b>169,377</b>	<b>214,416</b>

**8. Auditor's remuneration**

	2013-1		2015-1		2017-2		2018-1	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
KPMG Australia								
Audit of the financial report	10,612	9,672	10,612	9,672	10,612	9,672	10,612	9,672
Other assurance services	17,503	16,156	17,503	16,156	17,503	16,156	17,503	16,156
<b>Total auditor's remuneration</b>	<b>28,115</b>	<b>25,828</b>	<b>28,115</b>	<b>25,828</b>	<b>28,115</b>	<b>25,828</b>	<b>28,115</b>	<b>25,828</b>

Fees for services rendered by the Trusts' auditor are borne by the income and capital unitholder, SML.

## 9. Significant accounting policies

The special purpose financial report has been prepared in accordance with the requirements of the Trust Deed, and the recognition and measurement aspects of all applicable Australian Accounting Standards (AASB) as issued by the Australian Accounting Standards Board. They do not comply with all the disclosure requirements of Australian Accounting Standards.

The financial statements have been prepared in accordance with AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards*, AASB 1054 *Australian Additional Disclosures* and AASB 1057 *Application of Australian Accounting Standards*.

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all financial years presented in these financial statements.

### 9.1. Revenue and expense recognition

Interest revenue and expense are recognised in the profit or loss for all interest-bearing instruments measured at amortised cost using the effective interest method.

The effective interest method uses the effective interest rate to allocate interest income and expense over the relevant accounting period for the financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the gross carrying amount of the financial asset or liability.

This calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Interest income on the secured loan (refer note 9.6) comprises interest income from the mortgages purchased, any fee income earned from the mortgages purchased, and the net interest income/expense not separately recognised under the interest rate swap (refer note 9.7).

### 9.2. Income tax

The Trusts are only liable to income tax to the extent that accumulated income is assessable. Under current legislation the Trusts are not subject to income tax as the taxable income, including assessable realised capital gains are distributed in full to the unitholder.

### 9.3. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Receivables and payables are stated with the amount of GST included.

### 9.4. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit and money at short call. They are measured at face value or the gross value of the outstanding balance.

### 9.5. Non-derivative financial assets

For assets where cash flows are solely payments of principal and interest and the business model is held-to-collect for these cash flows, the classification is at amortised cost. This category includes secured loan.

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

The secured loans are an example of a non-derivative financial asset recognised by the Trusts. Refer to note 9.6 for further details on its accounting treatment.

## 9.6. Secured loans

Secured loans represent the Trusts' interest in the mortgages purchased from SML by equitable assignment.

The sale of the cover pool assets from SML to the Trusts do not qualify for derecognition in accordance with AASB 9 *Financial instruments*, because the sale is deemed to have failed to transfer substantially all the risks and rewards of ownership. Consequently, SML continues to recognise the mortgages and recognise a corresponding financial liability to the Trusts on its statement of financial position. In turn, the Trusts recognise a financial asset due from SML, being the secured loan, and a corresponding financial liability to SML.

The transfer of substantially all the risks and rewards of ownership is evaluated by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. An entity has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability of the future net cash flows from the financial asset does not change significantly as a result of the transfer.

Under the sale agreement, the Trusts assume any variability of principal cash flows from the mortgage purchased, while the variability of the interest income cash flows, as a result of the interest rate swap agreement (refer note 9.7) and the ownership of the residual income unit (refer note 6), remains with SML.

As a result, after considering all reasonably possible variability in net cash flows, with greater weight being given to those outcomes that are more likely to occur, SML is deemed to have failed to transfer substantially all of the risk and rewards.

## 9.7. Derivative financial instruments

The Trusts have entered into an interest rate swap with SML. The purpose of the swap is to align the basis of revenue from the mortgages purchased under equitable assignment from SML (refer note 9.6) to the interest expense under the debt. The interest rate swap converts the revenue receipts from the variable and fixed rate mortgages to a floating rate basis.

As a consequence of SML's sale of mortgages to the Trusts not qualifying for derecognition (refer note 9.6), AASB 9 also denies the Trusts from separately recognising derivatives that cause the failure for derecognition. Therefore, the Trusts have not separately recognised the interest rate swap in the statement of financial position and no gains or losses have been recognised in profit or loss.

## 9.8. Impairment of financial assets

For cash and cash equivalents and receivables, the Trusts apply a simplified approach in calculating ECLs. Under the simplified approach the Trusts do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL's at each reporting date. The Trusts determines the ECLs based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors (i.e., probability of default) and the economic environment.

## 9.9. Non-derivative financial liabilities

Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability. Subsequent measurement is at amortised cost using the effective interest method.

## 9.10. Units on issue

The units on issue by the Trusts satisfy the definition of a liability under AASB 132 *Financial Instruments: Presentation* and are accounted for as a financial liability at amortised cost.

### 9.11. New standards and amendments not yet effective

In March 2020, the AASB issued an amending standard AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* that removes the ability to prepare special purpose financial statements and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for profit and Not-for-profit Tier 2 Entities* that replaces the reduced disclosure requirements framework. As a result, the Trusts would prepare general purpose financial statements – Tier 2, and apply the disclosures as set out in AASB 1060. As the Trusts already applies all the recognition and measurement requirements of all Australian Accounting Standards, there will be no impact on the amounts recognised in the financial statements. Both standards are effective for the financial year beginning 1 July 2021.

## 10. Subsequent events

There has not arisen in the interval between the end of the financial 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 of the Trusts, to affect significantly the operations of the Trusts, the results of those operations, or the state of affairs of the Trusts in future financial years.



# TRUSTEE'S REPORT

## For the financial year ended 30 June 2021

Pursuant to the Trust Deeds for the Trusts, this special purpose financial report has been prepared by SME Management Pty Limited (the Manager), and has been audited by KPMG, who were appointed by the Trustee and whose report is attached.

The Trustee is not aware of any material matters that require disclosure and that have not been disclosed. The Trustee is not aware of any material matters that have occurred since the date of the financial report that require disclosure and that have not been disclosed.

Signed for and on behalf of  
Perpetual Trustee Company Limited

A handwritten signature in black ink, consisting of a series of loops and strokes, positioned above a horizontal line.

*Authorised Officer*  
*Perpetual Trustee Company Limited*

Sydney

27 August 2021

## MANAGER'S DECLARATION

### For the financial year ended 30 June 2021

We report that in our opinion:

- (a) the financial statements and notes, set out on pages 3 to 16, present fairly, in all material respects, the financial position of the Trusts as of 30 June 2021 and its financial performance and its cash flows for the period then ended in accordance with the accounting policies described in note 9 to the financial statements;
- (b) the Trusts have operated during the financial year ended 30 June 2021 in accordance with the provisions of the Trust Deed dated 28 January 1999; and
- (c) there are reasonable grounds to believe that the Trusts will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the Manager, SME Management Pty Limited.



Director **ERIN STRANG**  
*SME Management Pty Limited*

Brisbane

27 August 2021



# Independent Auditor's Report

To the Unitholders of the APOLLO Series 2013-1 Trust, APOLLO Series 2015-1 Trust, APOLLO Series 2017-2 Trust, and APOLLO Series 2018-1 Trust

## Opinion

We have audited the **Financial Reports** of APOLLO Series 2013-1 Trust, APOLLO Series 2015-1 Trust, APOLLO Series 2017-2 Trust, and APOLLO Series 2018-1 Trust (the Trusts).

In our opinion, the accompanying Financial Reports present fairly, in all material respects, the financial position of APOLLO Series 2013-1 Trust, APOLLO Series 2015-1 Trust, APOLLO Series 2017-2 Trust, and APOLLO Series 2018-1 Trust (the Trusts) as at 30 June 2021, and of their financial performance and their cash flows for the year then ended, in accordance with the basis of preparation described in Notes 2 and 9 to the Financial Reports.

The **Financial Reports** comprise:

- Statements of financial position as at 30 June 2021
- Statements of comprehensive income and Statements of cash flows for the year then ended; and
- 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 Trusts 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 audits of the *Financial Reports* 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 Notes 2 and 9 to the Financial Reports, which describes the basis of preparation.

The Financial Reports have been prepared to assist the Directors of SME Management Pty Limited (the Manager) in meeting the financial reporting requirements of the Trust Deed dated 28 January 1999 and in meeting the needs of the Unitholders.

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 Perpetual Trustee Company Limited (the Trustee of the Trusts), the Directors of SME Management Pty Limited and Unitholders and should not be used by or distributed to parties other than the Perpetual Trustee Company Limited as Trustee of the Trusts,



SME Management Pty Limited and Unitholders. 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 *Perpetual Trustee Company Limited* as Trustee of the Trusts, SME Management Pty Limited and Unitholders or for any other purpose than that for which it was prepared.

## Other Information

Other Information is financial and non-financial information in the Trusts' annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Trustee's Report and the Manager's declaration. The Trustee and the Manager are responsible for the Other Information.

Our opinion on the Financial Reports do 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 audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports 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 Manager for the Financial Report

The Manager is responsible for:

- the preparation and fair presentation of the Financial Reports and have determined that the basis of preparation described in Notes 2 and 9 to the Financial Reports is appropriate to meet the requirements of the Trust Deed dated 28 January 1999 and is appropriate to meet the needs of the Unitholders;
- implementing necessary internal control to enable the preparation and fair presentation of Financial Report that is a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Trusts' 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 Trusts or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether the Financial Reports 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 Reports.

A further description of our responsibilities for the audit of the Financial Reports is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

A handwritten signature in black ink that reads 'KPMG'.

Brisbane  
27 August 2021