

# AB Management Pty Ltd

Subsidiary of Bendigo and Adelaide Bank Limited

ABN 75 070 500 855  
The Bendigo Centre  
22-24 Bath Lane  
BENDIGO VIC 3550 Australia  
Telephone: +61 8 8300 6686

21 October 2021

Market Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000 Australia

Dear Sir / Madam,

## **Torrens Series 2014-2 Trust Financial Report for the year ended 30 June 2021**

AB Management Pty Ltd as the Trust Manager for the Torrens Series 2014-1 Trust (ASX code TOZ) advises the market that the financial report for the trust for the year ended 30 June 2021 is appended.

Approved for release by the: Board of AB Management Pty Ltd

**Torrens Series 2014-2 Trust**

**Financial Report 2021**

### Directors' Report

In accordance with the Series Supplement, the Directors of AB Management Pty Ltd, the Manager of the Torrens Series 2014-2 Trust ("the Trust"), submit their report for the year ended 30 June 2021.

#### 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 2021.

#### 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 (resigned 3 September 2021)  
P J Ormandy (resigned 21 May 2021)  
W M Rayner (appointed 3 September 2021)  
B J Speirs (appointed 21 May 2021)

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 loan receivables from the Bank and the issue of notes to fund these assets. There were no significant changes in the nature of these activities during the financial year.

#### Trust Information

The Trust is an Australian registered Trust, constituted on 3 December 2014. AB Management Pty Ltd is the Manager of the Trust and Perpetual Trustee Company Ltd is 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 2021, as represented by the results of its operations, was as follows:

Net assets (\$000s) :	-
Total interest income and other revenue (\$000s)	2,951
Total operating profit (\$000s) :	660

The total value of assets held by the Torrens Series 2014-2 Trust as at 30 June 2021 was \$119,728,000 (2020: \$150,435,000).

Management fees paid to AB Management Pty Ltd during the financial year were \$36,217 (2020: \$45,234).

#### Units on Issue

1 Capital unit and 1 Income unit of the Trust were on issue as at 30 June 2021 (2020: 1 Capital & 1 Income).

#### Distributions/(Contributions)

A distribution to ordinary Unitholders of \$660,055 (2020: Distribution \$828,417) was made during the year.

#### Impact of COVID-19

In response to the COVID-19 pandemic, the Bank, as the Servicer of the Trust has introduced a range of assistance measures, including deferral of payments, to ensure short-term and long-term support for affected customers.

The portfolio is continuing to be monitored closely by the Servicer. The operating result of the Trust for the year ended 30 June 2021 has not been significantly impacted by COVID-19.

#### 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.

## Directors' report (continued)

### 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.

### 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 AB Management Pty Ltd in office during the year and up to the date of this report, unless otherwise stated, are:

M McKay - Director (Executive) of AB Management Pty Ltd (resigned 3 September 2021)

P J Ormandy - Director (Executive) of AB Management Pty Ltd (resigned 21 May 2021)

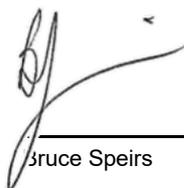
W M Rayner - Director (Executive) of AB Management Pty Ltd (appointed 3 September 2021)

B J Speirs - Director (Executive) of AB Management Pty Ltd (appointed 21 May 2021)

#### (ii) Compensation of Key Management Personnel

No amount is paid by the Trust directly to the Directors of AB Management Pty Ltd. 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 Manager of the Torrens Series 2014-2 Trust.

  
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Bruce Speirs  
20/10/2021

Primary Statements

Statement of Comprehensive Income  
For the year ended 30 June 2021

	2021	2020
	\$000's	\$000's
<b>Net interest income</b>		
Interest on loans	4,197	6,213
Interest on bank deposit	2	17
Coupon expense to noteholders	(1,425)	(2,953)
<b>Total net interest income</b>	<b>2,774</b>	<b>3,277</b>
<b>Other revenue</b>		
Fee revenue	177	224
<b>Total other revenue</b>	<b>177</b>	<b>224</b>
<b>Total interest income and other revenue</b>	<b>2,951</b>	<b>3,501</b>
<b>Expenses</b>		
Swap payments	1,796	2,101
Management fee	36	46
Servicing fee	302	377
Trustee fee	46	58
Other trust expenses	111	91
<b>Total expenses</b>	<b>2,291</b>	<b>2,673</b>
<b>Net profit attributable to unitholders</b>	<b>660</b>	<b>828</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>660</b>	<b>828</b>

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

Statement of Financial Position  
As at 30 June 2021

	Note	2021 \$000's	2020 \$000's
<b>Assets</b>			
Cash and cash equivalents	3	5,962	6,695
Trade and other receivables	4	328	623
Loans and other receivables	5	113,438	143,117
<b>Total assets</b>		<b>119,728</b>	<b>150,435</b>
<b>Liabilities</b>			
Trade and other payables	6	3,622	4,295
Borrowings	7	116,106	146,140
<b>Total liabilities excluding net assets attributable to unitholders</b>		<b>119,728</b>	<b>150,435</b>
<b>Net assets attributable to unitholders</b>		<b>-</b>	<b>-</b>

Statement of changes in Net Assets attributable to Unitholders  
For the year ended 30 June 2021

	Note	2021 \$000's	2020 \$000's
<b>Net assets attributable to unitholders at the beginning of the year</b>		-	-
Net profit attributable to unitholders		660	828
Distributions to unitholders	8	(660)	(828)
<b>Net assets attributable to unitholders at the end of the year</b>		<b>-</b>	<b>-</b>

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 2021

	Note	2021 \$000's	2020 \$000's
<b>Cash flows from operating activities</b>			
Interest on loans		4,331	6,424
Interest on bank deposit		2	17
Fee revenue		177	224
Swap payments		(1,834)	(2,094)
Payment to noteholders		(1,457)	(3,091)
Management fee		(37)	(46)
Servicing fee		(308)	(384)
Trustee fee		(47)	(59)
Other trust expenses		(98)	(93)
<b>Net cash flows from operating activities</b>	9	<b>729</b>	<b>898</b>
<b>Cash flows from investing activities</b>			
Loan repayments		39,462	43,054
Loan redraws		(9,783)	(10,336)
<b>Net cash flows from investing activities</b>		<b>29,679</b>	<b>32,718</b>
<b>Cash flows from financing activities</b>			
Principal payments to noteholders		(30,034)	(32,263)
Distribution to unitholders	8	(878)	(1,092)
Receipts from related parties		161	332
Payments for liquidity deposit		(390)	(419)
<b>Net cash flows used in financing activities</b>		<b>(31,141)</b>	<b>(33,442)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(733)</b>	<b>174</b>
<b>Cash and cash equivalents held at the beginning of the financial year</b>		<b>6,695</b>	<b>6,521</b>
<b>Cash and cash equivalents held at the end of the financial year</b>	3	<b>5,962</b>	<b>6,695</b>

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

### Notes to the financial statements

This section describes the Trust's significant accounting policies that relate to the financial statements and notes of the accounts. This section also details new accounting standards, amendments and interpretations, and whether they are effective in 2021 or later years. We explain how these changes are expected to impact the financial position and performance of the Trust.

## 1 Trust Information

The financial report of Torrens Series 2014-2 Trust ("the Trust") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors of the Manager of the Trust on 20 October 2021. The Trust is an Australian registered Trust, constituted on 3 December 2014. AB Management Pty Ltd, the Manager, is located at The Bendigo Centre, 22-44 Bath Lane, Bendigo, Victoria, 3550.

The ultimate parent entity of the Manager and the Trust is Bendigo and Adelaide Bank Limited.

## 2 Summary of significant accounting policies

### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Series Supplement dated 3 December 2014, Australian Accounting Standards along with interpretations issued by the Australian Accounting Standards Board (AASB), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The report is prepared in Australian dollars, which is the functional presentation currency of the Trust, with all values rounded to the nearest thousand dollars (\$'000s) (where rounding is applicable).

Comparative figures represent the prior year results and where necessary, presents reclassified comparatives for consistency with current year disclosures.

### Basis of Measurement

The financial report has been prepared on a historical cost basis except for certain assets and liabilities where the application of fair value measurement is required or allowed by relevant Australian Accounting Standards.

### Changes in accounting policies

There have been no changes to the Trust's accounting policies other than those required by new accounting standards. The impact of any new accounting standards on the Trust is not material.

## 2 Summary of significant accounting policies (continued)

### Recently issued or amended standards not yet effective

#### Amendments to References to Conceptual Framework in IFRS Standards

In June 2021 the AASB issued a revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities.

Additionally it introduces new concepts on measurement, including factors to consider when selecting a measurement basis.

The revised Conceptual Framework will apply to the Trust from 1 July 2021 and is not expected to have a material impact on the Trust.

#### AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

Effective from 1 July 2021, AASB 2020-2 removes the ability for certain for-profit private sector entities to prepare special purpose financial statements. AASB 2020-2 provides an exemption for entities whose constituting documents require the preparation of financial statements that comply with Australian Accounting Standards if created or amended before 1 July 2021.

As a result of this exemption, AASB 2020-2 is not expected to have any significant impact on the Trust.

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

- > Interest Rate Benchmark Reform - Phase 2 (Amendments to AASB 9, IAS39, AASB 7, AASB 4, and AASB 16);
- > Classification of liabilities as current or non-current (Amendments to AASB 101);
- > Annual Improvements to IFRS Standards 2018-2020;
- > Reference to the Conceptual Framework (Amendments to AASB 3);
- > Disclosure of Accounting Policy (Amendments to AASB 101 and IFRS Practice Statement 2); and
- > Definition of Accounting Estimate (Amendments to AASB 108).

### 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.

#### Coronavirus (COVID-19) pandemic

The COVID-19 pandemic continues to create uncertainty about future economic and market conditions. In preparing the financial statements for the year ended 30 June 2021, the Manager has carefully considered the impact of COVID-19 on critical judgements, estimates and assumptions.

#### Cash and cash equivalents

Cash comprises of cash at bank. 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.

## 2 Summary of significant accounting policies (continued)

### Significant accounting judgements, estimates and assumptions (continued)

#### Financial assets at amortised cost

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.

#### Loans and other receivables

Loans and other receivables are financial assets that have fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value plus direct and incremental transaction costs on settlement date, and are subsequently measured at amortised cost using the effective interest method less any allowances for credit losses.

The loans and other receivables balance recorded by the Trust includes loans to the ultimate parent entity, being Bendigo and Adelaide Bank Limited.

Under Australian Accounting Standards, the securitised loans originated by the Bank and held by the Trust do not meet the derecognition criteria as specified by AASB 9 *Financial Instruments*.

As a result, the securitised loans remain on the Bank's Balance Sheet and the receivable recorded by the Trust is a receivable from the Bank.

Interest on loans is recognised using the effective interest method. The estimated future cash flows used in the calculation of the effective interest rate include those determined by the contractual term of the asset, and includes all fees, transaction costs and all other premiums or discounts.

#### 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.

Interest is recognised by applying the effective interest rate.

#### Impairment of financial assets

AASB 9 requires the Trust to recognise a provision for expected credit losses for all debt instruments held at amortised cost or fair value through other comprehensive income (FVOCI), together with loan commitments and financial guarantees that are not measured at fair value through profit or loss (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.

When a trade receivable is uncollectible, it is written-off through profit or loss. Subsequent recoveries of amounts previously written off are credited through profit or loss.

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.

#### **Trade and other receivables**

Trade and other receivables, which are generally received within 30 days, are recognised and carried at original invoice amount.

Bad debts are written off when identified.

Any impairment losses are recorded in line with the AASB 9 expected credit loss model.

## 2 Summary of significant accounting policies (continued)

### Significant accounting judgements, estimates and assumptions (continued)

#### Financial Instruments Issued by the Trust

##### Borrowings

Financial liabilities, including borrowings, are initially measured at fair value, less directly attributable transaction costs.

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

Borrowings, in the form of 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.

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.

##### **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.

##### **Derivative financial instruments**

The Trust holds derivative financial instruments that comprise of interest rate swaps to manage exposure to interest rate risk. Under Australian Accounting Standards, the securitised mortgage loans held by the Trust are not permitted to be derecognised from the Bank's Balance Sheet as the Bank retains exposure to substantially all the risks and rewards of the securitised loans, in part, because the Bank provides interest rate swaps to the Trust.

Therefore, in accordance with AASB 9, the Bank and the Trust cannot separately recognise the interest rate swaps in the individual entity-level financial statements.

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

##### **Revenue recognition**

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.

##### **Interest income**

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 (i.e. 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.

##### **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.

##### **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.

##### **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.

## 2 Summary of significant accounting policies (continued)

### Significant accounting judgements, estimates and assumptions (continued)

#### Comparatives

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

#### 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

	2021	2020
	\$000's	\$000's
Bank deposit	5,962	6,695
<b>Total cash and cash equivalents</b>	<b>5,962</b>	<b>6,695</b>

### 4 Trade and other receivables

	2021	2020
	\$000's	\$000's
Receivables from related parties	39	200
Other receivables	289	423
<b>Total trade and other receivables</b>	<b>328</b>	<b>623</b>

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

### 5 Loans and other receivables

	2021	2020
	\$000's	\$000's
Loans	113,438	143,117
<b>Total loans and other receivables</b>	<b>113,438</b>	<b>143,117</b>

The loans are of various terms to maturity ranging up to 25 years and at various fixed and variable interest rates.

Management has considered whether a provision is required and concluded that no provision is required to be recognised on the basis of it not being material to the individual Trust's financial statements.

Some customers, whose loans constitute assets of the Trust, have been provided with COVID-19 support measures which allow for the deferral of loan payments during the deferral period.

These packages have been offered to customers to provide short-term cash flow support. During the deferral period, interest has been capitalised. It is expected that the loan balance, along with the capitalised interest, will be repaid in full.

The portfolio is continuing to be monitored closely by the Servicer.

In light of management's impairment assessment no impairment provisions have been recognised in relation to COVID-19.

The table below summarises the maturity profile of the Trust's loans and other receivables.

A summary of the expected profile of principal cash receipts of the loans is referred to in the credit risk disclosures in Note 11.

	2021	2020
	\$000's	\$000's
<b>Maturity Profile on Loans and receivables</b>		
Not longer than 3 months	13	2
Longer than 3 and not longer than 12 months	27	115
Longer than 1 and not longer than 5 years	513	963
Longer than 5 years	112,885	142,037
<b>Total loans and receivables</b>	<b>113,438</b>	<b>143,117</b>

## 6 Trade and other payables

	2021	2020
	\$000's	\$000's
Distribution payable	1,929	2,147
Other creditors and accruals	184	248
Liquidity facility payable	1,509	1,900
<b>Total trade and other payables</b>	<b>3,622</b>	<b>4,295</b>

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.

## 7 Borrowings

	2021	2020
	\$000's	\$000's
Class A Notes - unsecured	97,065	122,194
Class AB Notes - unsecured	13,627	17,154
Class B Notes - unsecured	3,289	4,141
Class C Notes - unsecured	940	1,183
Class D Notes - unsecured	1,185	1,468
<b>Total borrowings</b>	<b>116,106</b>	<b>146,140</b>

Five classes of Notes on issue - A, AB, B, C and D.

These Notes are floating rate notes with interest payable to Noteholders based on BBSW (Bank Bill Swap Rate) plus a margin.

On the final maturity date, unless previously redeemed in full, the Trustee must redeem each note at their then stated amount, together with all accrued but unpaid interest.

The final maturity date in relation to this Trust is the distribution date occurring in January 2046. Alternatively, the Trust may be cleaned-up and noteholders fully repaid when the aggregate principal outstanding of the housing loans, expressed as a percentage of the aggregate principal outstanding of the housing loans as at the closing date, is 10% or less.

## 8 Distribution to unitholders

	2021	2020
	\$000's	\$000's
Accrued distribution at the beginning of the year	2,147	2,411
Add profit for the year	660	828
Less distribution for the year	(878)	(1,092)
<b>Accrued distribution to Unitholders</b>	<b>1,929</b>	<b>2,147</b>

## 9 Cash flow statement reconciliation

	2021	2020
	\$000's	\$000's
Profit after income tax	660	828
<u>Adjustments for accrued operating movements</u>		
Interest income	134	210
Interest on collections	1	1
Swap (expense)/income	(37)	7
Coupon expense	(33)	(138)
Other income/(expenses)	4	(10)
<b>Net cash flow from operating activities</b>	<b>729</b>	<b>898</b>

## 10 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.

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

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

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

	2021	2020
	\$000's	\$000's
Bendigo and Adelaide Bank Ltd	302	377
AB Management Pty Ltd	36	45
Collections receivable from Bendigo and Adelaide Bank Ltd	39	200

## 11 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.

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

### COVID-19 risks

The COVID-19 pandemic has had a significant impact to the economy, consumer behaviour, regulatory requirements, and has the potential to impact one or more of the Trust's material financial risks. As the COVID-19 pandemic evolves, the Servicer is actively monitoring the situation and will respond accordingly.

### 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 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.

Taking into account the fact that the official cash rate in Australia was 0.10% as at 30 June 2021, the table below represents the change to the Trust's Statement of Comprehensive Income from a 10 basis point rate shock.

	2021		2020	
	+10 basis points \$000's	-10 basis points \$000's	+25 basis points \$000's	-25 basis points \$000's
<b>Financial Asset</b>				
Cash and cash equivalents	6	(6)	17	(16)
Loans and other receivables	113	(113)	358	(358)
<b>Financial Liability</b>				
Borrowings	(116)	116	(365)	365

## 11 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 2021 and 2020.

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.

### Liabilities

Liabilities	30-June-2021				30-June-2020			
	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
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Accrued interest payable to noteholders	54	-	-	-	87	-	-	-
Management fees accrued	3	-	-	-	4	-	-	-
Other creditors	2,056	-	-	-	2,304	-	-	-
Liquidity facility payable	-	-	1,509	-	-	-	1,900	-
Borrowings	5,336	14,651	99,519	-	6,132	16,992	63,048	66,157
<b>Total</b>	<b>7,449</b>	<b>14,651</b>	<b>101,028</b>	<b>-</b>	<b>8,527</b>	<b>16,992</b>	<b>64,948</b>	<b>66,157</b>

## 11 Risk management (continued)

### Credit Risk Exposures

Credit risk, is the risk 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 in accordance with the policies of the Servicer.

Credit risk arises from lending activities, financial market transactions and other associated activities. The Servicer of the loans, constituting assets of the Trust, has a credit risk framework in place to provide a structured and disciplined approach to all lending activities.

The total credit risk exposure 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 the expected profile of the principal cash receipts:

### Loans and other receivables

	Not longer than 12 months	1 to 5 years	Longer than 5 years	Total
	\$000's	\$000's	\$000's	\$000's
2021	18,753	94,685	-	113,438
2020	21,303	57,881	63,933	143,117

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

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

	High Grade	Standard Grade	Sub-Standard Grade	Unrated	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
2021					
Cash and cash equivalents	5,962	-	-	-	5,962
Trade and other receivables	-	-	-	328	328
Loans and other receivables	112,571	867	-	-	113,438
2020					
Cash and cash equivalents	6,695	-	-	-	6,695
Trade and other receivables	-	-	-	623	623
Loans and other receivables	141,907	1,210	-	-	143,117

## 12 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.

	Amortised cost		Total
	Loans and receivables	Other financial instruments	
	\$000's	\$000's	\$000's
<b>2021</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	5,962	<b>5,962</b>
Trade and other receivables	328	-	<b>328</b>
Loans and other receivables	113,438	-	<b>113,438</b>
<b>Financial liabilities</b>			
Trade and other payables	-	3,622	<b>3,622</b>
Borrowings	-	116,106	<b>116,106</b>
<b>2020</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	6,695	<b>6,695</b>
Trade and other receivables	623	-	<b>623</b>
Loans and other receivables	143,117	-	<b>143,117</b>
<b>Financial liabilities</b>			
Trade and other payables	-	4,295	<b>4,295</b>
Borrowings	-	146,140	<b>146,140</b>

## 12 Financial instruments (continued)

### b) Fair values of financial assets and liabilities

The table below 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.

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$000's	\$000's	\$000's	\$000's
<b>Financial assets</b>				
Cash and cash equivalents	5,962	5,962	6,695	6,695
Trade and other receivables	328	328	623	623
Loans and other receivables	113,438	113,861	143,117	143,846
<b>Financial liabilities</b>				
Trade and other payables	3,622	3,622	4,295	4,295
Borrowings	116,106	116,917	146,140	145,322

## 12 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.

## 12 Financial instruments (continued)

### c) Fair value measurement (continued)

The table below 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

#### Financial assets at amortised cost

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

#### 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.

#### Loans and other 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.

#### Trade and other payables

The carrying value for payables approximates fair value.

#### Borrowings

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

### Financial assets and liabilities carried at amortised cost valuation hierarchy

	Level 1	Level 2	Level 3	Total fair value amount	Total carrying amount
	\$000's	\$000's	\$000's	\$000's	\$000's
<b>2021</b>					
Loans and other receivables	-	-	113,861	<b>113,861</b>	<b>113,438</b>
<b>Total financial assets carried at amortised cost</b>	-	-	113,861	<b>113,861</b>	<b>113,438</b>
Borrowings	-	116,917	-	<b>116,917</b>	<b>116,106</b>
<b>Total financial liabilities carried at amortised cost</b>	-	116,917	-	<b>116,917</b>	<b>116,106</b>
<b>2020</b>					
Loans and other receivables	-	-	143,846	<b>143,846</b>	<b>143,117</b>
<b>Total financial assets carried at amortised cost</b>	-	-	143,846	<b>143,846</b>	<b>143,117</b>
Borrowings	-	145,322	-	<b>145,322</b>	<b>146,140</b>
<b>Total financial liabilities carried at amortised cost</b>	-	145,322	-	<b>145,322</b>	<b>146,140</b>

### 13 Auditors' remuneration

	2021	2020
	\$	\$
Total fees paid or due and payable to Ernst & Young (Australia):	7,800	7,800

### 14 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 2021 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.



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Bruce Speirs

for and on behalf of AB Management Pty Ltd  
as Manager of the Torrens Series 2014-2 Trust  
20/10/2021



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## Independent Auditor's Report to the Unitholders of Torrens Series 2014-2 Trust

### Opinion

We have audited the financial report of Torrens Series 2014-2 Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and cash flow statement 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 2021, 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Information other than the financial report and auditor's report thereon

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

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

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

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

## Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



**Building a better  
working world**

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.

A handwritten signature in blue ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in blue ink that reads "Clare Sporle".

Clare Sporle  
Partner  
Sydney  
20 October 2021