ASX Announcement

Medallion Trust Series 2016-1 (ASX Code: MZF)

Friday, 27 October 2023 (SYDNEY): Securitisation Advisory Services Pty Ltd as Manager of Medallion Trust Series 2016-1 (MZF), provides holders with the MZF 2023 Annual Report which includes the Financial Statements for the year ended 30 June 2023.

The release of this announcement was authorised by the Board of Securitisation Advisory Services Pty Limited

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Medallion Trust Series 2016-1

ABN 58 829 184 649

Annual Report

for the year ended 30 June 2023

Commonwealth Bank

Contents

The Directors of Securitisation Advisory Services Pty Limited ("the Manager") submit their report together with the General Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-1 ("the Trust"), for the financial year ended 30 June 2023.

Trust Manager and Trustee

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

Directors

The names of the Directors of the Manager holding office during the financial year and up to the date of this report are as follows:

C Bhindi
V Hickey
P Roa

Secretaries

The names of the Secretaries of the Manager holding office during the financial year and up to the date of this report are as follows:

S Blakeney
N Mlinarevic (appointed 27 June 2023)
R Norris (appointed 27 June 2023)
M Fairlie (resigned 27 June 2023)

Principal activities

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

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

Review of operations

The Trust recorded a profit for the financial year of $nil (2022: $nil).

Distribution

Distribution paid and payable to the income unitholder, the Bank, in accordance with the Master Trust Deed, was $nil for the financial year (2022: $nil).

Significant changes in the state of affairs

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

Likely developments and expected results of operations

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

Environmental regulation

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

Interests in units of the Trust

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

Events subsequent to the balance sheet date

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

Rounding of amounts

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

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of the Medallion Trust Series 2016-1.

Director

Sydney
20 October 2023

	Notes	2023 $'000	2022 $'000
Interest income:			
Interest revenue on loans from ultimate parent entity		**16,248**	7,732
Other interest income[1, 2]		**594**	704
Interest expense on notes		**(16,566)**	(8,130)
Net interest income		**276**	306
Other operating income:			
Changes in estimated payments on medium term notes[2]		**(509)**	(305)
Total net operating income before operating expenses and impairment		**(233)**	1
Operating expenses	2	**(276)**	(306)
Loan impairment benefit	3	**509**	305
Net profit before income tax		**-**	-
Income tax expense		**-**	-
Net profit after income tax from continuing operations		**-**	-
Other comprehensive income net of tax		**-**	-
Total comprehensive income net of tax from continuing operations		**-**	-

[1] Other interest income consists mainly of early repayment adjustments and lending fees payable by customers upon prepayment of home loans.

[2] Comparative information has been revised to conform to the Group presentation on income related to contractual cash flows associated with principal and interest.

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

Medallion Trust Series 2016-1
Balance Sheet
As at 30 June 2023

	Notes	2023 $'000	2022 $'000
Assets			
Cash at bank		**150**	150
Other assets	5	**7,384**	9,070
Loans and other receivables	6	**320,398**	394,940
Total assets		**327,932**	404,160
Liabilities			
Trade and other payables	7	**2,829**	2,209
Financial liabilities	8	**325,103**	401,951
Trust corpus[1]		**-**	-
Total liabilities		**327,932**	404,160
Net assets		**-**	-
Total equity		**-**	-

[1] Trust corpus of $200 has been rounded to $nil.

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

	Total equity[1] $
Balance at 1 July 2021	-
Balance at 30 June 2022	-
Balance at 30 June 2023	-

[1] Under Australian Accounting Standards (AAS), trust corpus is classified as a financial liability rather than equity. As a result, there was no equity at the start or the end of the year.

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

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities:			
Net profit before income tax		**-**	-
Add back non-cash movements:			
Net impairment movement on loans and other receivables		**(509)**	(305)
Net movement on financial liabilities		**509**	305
Changes in operating revenue and expenses		**-**	-
Net (increase)/decrease in interest receivable on loans and collections from ultimate parent entity[1]		**(662)**	169
Net decrease in fees receivable from ultimate parent entity[1]		**4**	6
Net increase in interest payable		**304**	21
Net increase/(decrease) in trade payables		**316**	(323)
Changes in operating assets and liabilities		**(38)**	(127)
Net cash used in operating activities		**(38)**	(127)
Cash flows from investing activities:			
Receipts on loans to ultimate parent entity		**77,395**	111,218
Net cash provided by investing activities		**77,395**	111,218
Cash flows from financing activities:			
Repayment of notes issued		**(77,357)**	(111,097)
Net cash used in financing activities	12(b)	**(77,357)**	(111,097)
Net decrease in cash at bank		**-**	(6)
Cash at bank at beginning of year		**150**	156
Cash at bank at end of year		**150**	150

[1] Includes a portion of the cash flow movement from Collections of principal, interest and fees receivable - ultimate parent entity.

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

1 Summary of significant accounting policies

(a) General information

The General Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-1 ("the Trust") for the financial year ended 30 June 2023 were approved and authorised for issue by the Board of Directors of Securitisation Advisory Services Pty Limited ("the Manager") on 20 October 2023. The Directors of the Manager have the power to amend and reissue the Financial Statements.

The Trust was constituted on 4 March 2016 and established under the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 4 March 2016 for the purpose of purchasing loans from the Commonwealth Bank of Australia ("the Bank") and issuing medium term notes ("MTNs") to fund such purchase. The Trustee of the Trust is Perpetual Trustee Company Limited.

The issue of notes to noteholders and beneficial interest to the income unitholder occurred on 18 March 2016.

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

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

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

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

The Trust is domiciled in Australia. The address of its principal office is Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney NSW 2000, Australia.

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

(b) Basis of preparation

The Financial Statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"). The Trust is a for-profit entity for the purpose of preparing the Financial Statements.

The Financial Statements of the Trust also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

The Financial Statements have been prepared using a historical cost basis.

1 Summary of significant accounting policies (continued)

(c) Future accounting developments

Certain new accounting standards and interpretations have been published that are not yet effective for the 30 June 2023 reporting period and have not been early adopted by the Trust. The Trust's assessment of the impact of these new standards and interpretations is that none will have a material impact on the results or financial position of the Trust.

(d) Offsetting

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

(e) Revenue and expense recognition

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

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

(i) Interest revenue

Interest revenue on loans and other receivables is measured using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument, and allocates the interest over the expected life of the financial instrument. Fees and transaction costs integral to loan origination are capitalised and included in interest revenue recognised over the expected life of the loan. Any excess servicing fee payable to the income unitholder is included in interest revenue due to the imputed loan arrangement as it is part of the Commonwealth Bank of Australia Group's ("the Group") intra-group arrangements.

(ii) Other interest income

Other interest income is recognised on an accrual basis over the service period.

(iii) Interest expense

Finance costs relating to the medium term notes and related borrowings are measured on an accrual basis using the effective interest method.

(f) Income tax

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

1 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank. They are initially recognised at fair value and subsequently measured at amortised cost. Cash at bank earns interest at a floating rate based on daily deposit rates.

Extraordinary Expense Reserve

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

(h) Financial assets and liabilities

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

- Loans and other receivables
- Other assets, excluding prepaid expenses
- Liabilities at amortised cost - interest bearing liabilities
- Derivative financial instruments

(i) Loans and other receivables

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

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

Securitised mortgage loans are classified as loans to ultimate parent entity.

Impairment

Provisions are recognised in accordance with the AASB 9 expected credit loss ("ECL") approach. A description of the key components of the Trust's AASB 9 impairment methodology is provided below.

ECL model

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

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

- *Stage 1: 12 months ECL - performing financial assets*
  On origination, an impairment provision equivalent to 12 months ECL is recognised. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
- *Stage 2: Lifetime ECL - performing financial assets that have experienced a significant increase in credit risk ("SICR")*
  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and an impairment provision equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 months ECL.
- *Stage 3 - Lifetime ECL - non-performing financial assets*
  Financial assets in default and assets restructured due to the borrower's financial difficulty or hardship are transferred to Stage 3 and an impairment provision equivalent to lifetime ECL is recognised.

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

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

Significant increase in credit risk

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

Definition of default, non-performing assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used by the Bank for internal credit risk management purposes across all portfolios. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Trust in full, or the exposure is 90 days past due. Non-performing credit exposures include exposures that are in default and exposures that have been restructured due to the borrower's financial difficulty or hardship.

Loans are written off when there is no reasonable expectation of recovery. Secured loans are generally written off when assets pledged to the Trust have been realised and there are no further prospects of additional recovery.

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

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

ECL measurement

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

- Central scenario: This scenario is based on the Group's internal economic forecasts and market consensus as well as other assumptions used in business planning and forecasting;
- Downside scenario: This scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from significant inflationary pressures exacerbated by supply chain disruptions, shortages of goods and heightened energy prices compounded by geopolitical risks;
- Upside scenario: This scenario is included to account for the potential impact of remote, more favourable macroeconomic conditions; and
- Severe downside scenario: This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions.

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

Incorporation of experienced credit judgement

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

(ii) Other assets, excluding prepaid expenses

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

(iii) Liabilities at amortised cost - interest bearing liabilities

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

(iv) Derivative financial instruments

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

Derivative financial instruments are used to hedge certain assets.

1 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

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

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

Derecognition of financial assets and liabilities

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

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

(i) Excess servicing fee payable to the income unitholder

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

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

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

(j) Trust capital

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

Capital unit

The capital unitholder in the Trust is the Bank.

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

Income unit

The income unitholder in the Trust is the Bank. The beneficial interest represented by the income unit is limited to excess distribution which is due but not yet paid.

1 Summary of significant accounting policies (continued)

(j) Trust capital (continued)

Under Australian Accounting Standards (AAS), trust corpus is classified as a financial liability rather than equity. The Trust has been structured to earn a net interest revenue each year. Non-cash losses are retained in the Trust and are expected to reverse over time. The classification of trust corpus does not alter the underlying economic interest of the unitholders in the net assets/liabilities and profit or loss attributable to unitholders of the Trust.

(k) Critical judgements and estimates

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

2 Operating expenses

	2023 $'000	2022 $'000
Manager fees - related party	**109**	136
Liquidity facility fees - ultimate parent entity	**29**	38
Trustee fees	**21**	26
Other expenses	**117**	106
Total operating expenses	**276**	306

3 Provision for impairment losses

	2023 $'000	2022 $'000
Collective provision		
Opening balance	**890**	1,195
Changes in collective provision	**(509)**	(305)
Closing balance	**381**	890
Total provision for impairment losses	**381**	890

The majority of the credit exposures as at 30 June 2023 are classified in Stage 1 $298,173,000 (2022: $378,580,000) with the remaining in Stage 2 $20,188,000 (2022: $13,014,000) and Stage 3 $2,418,000 (2022: $4,236,000).

4 Remuneration of auditor

	2023 $	2022 $
Audit fees	**34,987**	25,500

5 Other assets

	2023 $'000	2022 $'000
Interest receivable on loans to ultimate parent entity	**736**	456
Collections of principal, interest and fees receivable from ultimate parent entity	**6,612**	8,579
Prepaid expenses	**36**	35
Total other assets	**7,384**	9,070

The amounts are due to be received within twelve months of the Balance Sheet date.

6 Loans and other receivables

	2023 $'000	2022 $'000
Loans to ultimate parent entity[1]	**320,779**	395,830
Less: Provision for impairment losses	**(381)**	(890)
Total loans and other receivables	**320,398**	394,940

[1] The amounts expected to be repaid within twelve months of the Balance Sheet date are $61,506,000 (2022: $77,866,000).

7 Trade and other payables

	2023 $'000	2022 $'000
Interest payable - medium term notes	**639**	335
Excess servicing fees payable - ultimate parent entity	**1,992**	1,605
Manager fees payable - related party	**3**	4
Liquidity facility fees payable - ultimate parent entity	**1**	1
Trustee fees payable	**1**	1
Extraordinary expense reserve payable to ultimate parent entity	**150**	150
Other payables	**43**	113
Total trade and other payables	**2,829**	2,209

The amounts expected to be settled within twelve months of the Balance Sheet date are $2,679,000 (2022: $2,059,000).

8 Financial liabilities

	2023 $'000	2022 $'000
Medium term notes[1]	**325,484**	402,841
Changes in estimated financial liabilities	**(381)**	(890)
Total financial liabilities	**325,103**	401,951

[1] The amounts expected to be settled within twelve months of the Balance Sheet date are $62,013,000 (2022: $78,784,000).

As described in the transaction documents, the gross carrying amount of the medium term notes held at amortised cost absorb the expected shortfalls in cash flows. Accordingly, the estimated payments on medium term notes may increase or decrease in future periods up to a maximum of the face value of the medium term notes. The movement in financial liabilities to reflect the estimated cash flows is shown in the reconciliation in Note 12(b).

9 Financial risk management

Financial risk management is the process of identifying, assessing, fair value approximation, reporting and taking action to mitigate risks. The Trust's risks are managed under the Bank's overall risk management program which seeks to minimise the potential adverse effects of financial markets on the Bank and its subsidiaries.

The Trust has an exposure to market risk, credit risk and liquidity risk. These risks are monitored and managed at a business unit level through the Group's Risk Management Framework.

(a) Market risk

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of financial instruments.

In relation to the Trust, interest rate risk arises due to the pricing on the underlying mortgage assets not matching the pricing of interest bearing liabilities. Interest rate risk is the current and prospective impact of changes in interest rates to which the Trust's earnings are exposed. The Trust mitigates interest rate risk by entering into a series of interest rate swaps with the Bank by transferring cash inflows from underlying mortgage assets and in return receives cash flows based on the Bank Bill Swap rate plus a margin sufficient to meet the interest commitments on the loans from the Bank, associated swaps and fees payable. The margin payable is calculated based on a weighted average margin of the liabilities to the Bank for each distribution period and also includes a margin for fees, including excess servicing fees payable to the Bank.

Sensitivity analysis

Based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, the impact on the Trust's profit or loss and equity of a reasonably possible upwards or downwards movement in interest rates assuming that all other variables remain constant is $nil.

9 Financial risk management (continued)

(b) Credit risk

Credit risk is the potential for loss arising from failure of a counterparty to meet their contractual obligations to the Trust. The maximum exposure to credit risk at the end of the reporting period, excluding the value of any collateral or other security, in relation to recognised financial assets, is the carrying value of those assets as disclosed in the Balance Sheet and Notes to the Financial Statements.

In relation to the Trust, credit risk arises due to the potential loss arising from mortgage holders failing to meet repayments on the underlying mortgage assets. The home loans are serviced by the Bank, including foreclosure of homes. All home loans are secured by fixed charges over borrowers' residential properties. Further, Lenders Mortgage Insurance (LMI) is taken out for most loans with a Loan to Value Ratio (LVR) higher than 80% at origination to cover 100% of the original principal plus interest.

(i) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2023 $'000	2022 $'000
Cash and cash equivalents		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**150**	150
	150	150
Other assets		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**7,348**	9,035
	7,348	9,035
Loans and other receivables		
Counterparties with external credit rating (S&P)		
AA-: Commonwealth Bank of Australia	**320,779**	395,830
	320,779	395,830

Financial assets amounting to $328,277,000 (2022: $405,015,000) are concentrated within Australia, all of which are held with the ultimate parent entity.

Details of the ECL model applied by the Trust, as well as impairment on receivables, are provided in Note 1(h) and Note 3 respectively.

(c) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Liquidity risk may arise as the maturity profile of the mortgage assets does not match the maturities of the medium term notes. For this reason, a liquidity facility is provided by the Bank for the purpose of funding certain income shortfalls in the Trust up to the facility limited specified in Note 12(a).

9 Financial risk management (continued)

Maturity analysis of financial liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	0-3 months $'000	**3-12 months $'000**	**1-5 years $'000**	**over 5 years $'000**	**Total $'000**
As at 30 June 2023					
Financial liabilities					
Excess servicing fees payable - ultimate parent entity	**1,992**	**-**	**-**	**-**	**1,992**
Manager fees payable - related party	**3**	**-**	**-**	**-**	**3**
Liquidity facility fees payable - ultimate parent entity	**1**	**-**	**-**	**-**	**1**
Trustee fees payable	**1**	**-**	**-**	**-**	**1**
Other payables	**2**	**41**	**-**	**-**	**43**
Extraordinary expense reserve payable to ultimate parent entity	**-**	**-**	**150**	**-**	**150**
Medium term notes interest payable	**4,944**	**13,376**	**26,934**	**-**	**45,254**
Medium term notes principal	**16,172**	**45,841**	**263,471**	**-**	**325,484**
Total financial liabilities	**23,115**	**59,258**	**290,555**	**-**	**372,928**

	0-3 months $'000	3-12 months $'000	1-5 years $'000	over 5 years $'000	Total $'000
As at 30 June 2022					
Financial liabilities					
Excess servicing fees payable - ultimate parent entity	1,605	-	-	-	1,605
Manager fees payable - related party	4	-	-	-	4
Liquidity facility fees payable - ultimate parent entity	1	-	-	-	1
Trustee fees payable	1	-	-	-	1
Other payables	55	58	-	-	113
Extraordinary expense reserve payable to ultimate parent entity	-	-	150	-	150
Medium term notes interest payable	3,646	9,830	23,570	-	37,046
Medium term notes principal	20,745	58,039	324,057	-	402,841
Total financial liabilities	26,057	67,927	347,777	-	441,761

9 Financial risk management (continued)

(d) Fair value estimation

According to AASB 13 *Fair Value Measurement*, fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at measurement date.

The Trust uses various methods in estimating fair value. The methods comprise:

Level 1 - this category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 - this category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Level 3 - this category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economical models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Management's assessment of the fair value of the loans to ultimate parent entity and medium term notes is deemed to be materially consistent with their carrying value. The fair value of all other financial assets and liabilities approximates their carrying value as at 30 June 2023 and 30 June 2022 due to their short-term nature. Financial assets and liabilities are predominantly classified as level 3 in the fair value hierarchy except for the medium term notes which are classified as level 2.

10 Key management personnel

The Directors of the Manager have been determined to be key management personnel ("KMP") within the scope of AASB 124 *Related Party Disclosures*. The names of persons who were Directors of the Manager at any time during the financial year are as follows:

C Bhindi
P Roa
V Hickey

Directors were in office for the full period unless otherwise stated.

None of the Directors hold any shares, options or other interests in the Trust.

10 Key management personnel (continued)

Compensation of key management personnel

The Manager's KMP are employees of the ultimate parent entity, the Bank. The Manager receives management services from the Bank, which includes the provision of KMP. The Manager does not remunerate KMP or directly reimburse the Bank for this cost. No management fees are paid by the Trust to the Bank. It is also the practice of the Bank that its employees are not remunerated for director appointments as their role as KMP is incidental to their role as an employee of the Bank.

There were no other transactions between the Manager and KMP during the financial year.

Loans and other transactions

Any loans to KMP or other related parties are made by the Bank, a provider of finance on terms and conditions that apply to similar transactions with other Directors or employees of the Bank. There were no loans provided to any KMP or their related parties for the year ended 30 June 2023.

There are no other transactions with KMP during the financial year.

11 Related party transactions

Ultimate parent entity

The ultimate parent entity is the Commonwealth Bank of Australia.

Transactions with related parties

Manager fees

The Trust pays management fees to the Manager, which is a wholly owned subsidiary of the Bank. The fee is calculated as 0.03% per annum applied to the balance of the medium term notes issued by the Trust in the determination period. The determination period is the period between the first day of the month and the last day of the month, inclusive of both days.

Servicing fees

The Trust pays servicing fees to the ultimate parent entity. The fee is calculated as 0.25% per annum applied to the balance of the mortgage assets issued by the Bank in the determination period. Servicing fees are disclosed within 'Interest revenue' under ultimate parent entity.

Liquidity facility fees

The Trust also pays liquidity facility fees to the ultimate parent entity. The fee is calculated as 0.90% per annum applied to the undrawn balance of the liquidity facility issued by the Bank in the determination period.

11 Related party transactions (continued)

	2023 **$**	2022 $
The following transactions occurred with related parties:		
Revenue		
Ultimate parent entity:		
Interest revenue	**16,248,366**	7,731,793
Other interest income	**593,999**	704,265
Total revenue from continuing operations	**16,842,365**	8,436,058

	2023 **$**	2022 $
Expenses		
Ultimate parent entity:		
Finance costs on intra-group loan	**3,723,489**	2,524,426
Liquidity facility fees - ultimate parent entity	**28,973**	37,997
Manager:		
Manager fees	**109,328**	136,047
Total expenses	**3,861,790**	2,698,470

	2023 **$**	2022 $
Assets		
Ultimate parent entity:		
Cash and cash equivalents	**150,171**	150,213
Interest receivable on loans to ultimate parent entity	**736,451**	456,493
Collections of principal, interest and fees receivable from ultimate parent entity	**6,612,128**	8,579,124
Loans to ultimate parent entity	**320,779,240**	395,829,750
Less: Provision for impairment losses	**(380,879)**	(890,447)
Total assets	**327,897,111**	404,125,133

	2023 **$**	2022 $
Liabilities		
Ultimate parent entity:		
Interest payable - medium term notes	**144,785**	87,859
Excess servicing fees payable - ultimate parent entity	**1,991,650**	1,604,986
Liquidity facility fees payable - ultimate parent entity	**888**	1,085
Extraordinary expense reserve payable to ultimate parent entity	**150,000**	150,000
Medium term notes	**52,544,432**	65,032,739
Less: Changes in estimated financial liabilities	**(380,879)**	(890,447)
Trust corpus	**200**	200
Manager:		
Manager fees payable - related party	**3,210**	3,642
Total liabilities	**54,454,286**	65,990,064

12 Notes to the Statement of Cash Flows

(a) Financing facilities

The Trust has access to financing facilities from the Bank. An agreement exists between the entities for the advance to be on an 'at call' basis and for as long as it may be required. A liquidity facility is provided by the Bank for the purpose of funding certain income shortfalls in the Trust up to the facility limit of $3 million (2022: $4 million). The amount drawn under this facility at year end was $nil (2022: $nil).

(b) Reconciliation of liabilities arising from financing activities

	Financial liabilities $'000	Extraordinary expense reserve payable $'000	Total $'000
Balance at 1 July 2021	**512,743**	**150**	**512,893**
Changes from financing cash flows			
Repayment of borrowings	(111,097)	-	(111,097)
Adjustment for non-cash items			
Movement in financial liabilities	305	-	305
Balance at 30 June 2022	**401,951**	**150**	**402,101**
Balance at 1 July 2022	**401,951**	**150**	**402,101**
Changes from financing cash flows			
Repayment of borrowings	(77,357)	-	(77,357)
Adjustment for non-cash items			
Movement in financial liabilities	509	-	509
Balance at 30 June 2023	**325,103**	**150**	**325,253**

13 Contingent liabilities, contingent assets and commitments

There were no outstanding contingent liabilities, contingent assets or commitments as at 30 June 2023 (2022: $nil).

14 Events subsequent to the balance sheet date

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

In the opinion of the Manager:

(a) the Financial Statements and Notes thereto comply with applicable Australian Accounting Standards and the Master Trust Deed dated 8 October 1997;

(b) the Financial Statements and Notes thereto give a true and fair view of the Trust's financial position as at 30 June 2023 and of its performance for the financial year ended 30 June 2023;

(c) Note 1(b) of the financial statements includes a statement of compliance with International Financial Reporting Standards;

(d) the Trust operated during the year ended 30 June 2023 in accordance with the provisions of the Master Trust Deed; and

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

Signed for and on behalf of Securitisation Advisory Services Pty Limited as Manager of Medallion Trust Series 2016-1.

Director
Sydney
20 October 2023

The General Purpose Financial Statements for the financial year ended 30 June 2023 have been prepared by the Trust Manager, Securitisation Advisory Services Pty Limited as required by the Master Trust Deed.

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

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

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

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

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

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

Signed for and on behalf of Perpetual Trustee Company Limited as Trustee of Medallion Trust Series 2016-1.

Sydney
20 October 2023

Independent auditor's report

To the unitholders of Medallion Trust Series 2016-1

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Medallion Trust Series 2016-1 (the Trust) as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the Manager's statement.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist the directors of the Manager (the directors) to meet the requirements of the Master Trust Deed dated 8 October 1997 and Series Supplement dated 4 March 2016. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Medallion Trust Series 2016-1 and its unitholders and should not be used by parties other than Medallion Trust Series 2016-1 and its unitholders. Our opinion is not modified in respect of this matter.

Other information

The directors of the Manager are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Manager for the financial report

The directors of the Manager are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report, and for such internal control as the directors of the Manager determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The directors of the Manager have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the unitholders.

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

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

PricewaterhouseCoopers

Alastair Findlay
Partner

Sydney
20 October 2023