

Medallion Trust Series 2016-2

ABN 36 930 251 534

Special Purpose Annual Financial Report

for the period from 16 December 2016 to 30 June 2017

CommonwealthBank 

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Medallion Trust Series 2016-2
Manager's Report
For the period from 16 December 2016 to 30 June 2017

The Directors of Securitisation Advisory Services Pty Limited ("the Manager") submit their report together with the Special Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-2 ("the Trust"), for the financial period from 16 December 2016 to 30 June 2017.

Trust manager

The Manager of the Trust for the reporting period was Securitisation Advisory Services Pty Limited.

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 period from 16 December 2016 to 30 June 2017 were the holding of loan receivables from the Bank and the issue of medium term notes ("MTNs") to fund these assets.

The issue of notes to noteholders and beneficial interest to the income unitholder occurred on 10 January 2017.

There was no significant change in the nature of these activities from the commencement of operations to the end of the financial period.

Review of operations

The Trust recorded a profit for the period of \$nil. On 10 January 2017, the Trust issued \$1.840 billion Class A1 Notes, \$120.0 million Class B Notes, and \$40.0 million Class C Notes. Settlement of these notes also occurred on 10 January 2017.

Distribution

Distribution paid and payable to the income unitholder, the Bank, in accordance with the Trust Deed, was \$nil for the period.

Significant changes in the state of affairs

The Trust commenced operations on 16 December 2016.

There have been no significant changes in the state of affairs from the commencement of operations to the end of the financial period.

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.

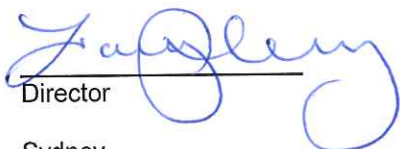
Events subsequent to the balance sheet date

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 2016-2.



Director

Sydney
18 October 2017

Medallion Trust Series 2016-2
Statement of Comprehensive Income
For the period from 16 December 2016 to 30 June 2017

	Notes	Period from 16 December to 30 June 2017 \$'000
Revenue from continuing operations	2	26,900
Finance costs	3	(26,042)
Expenses	4	(858)
Profit before income tax		-
Income tax expense		-
Profit for the year		-
Other comprehensive income, net of tax		-
Total comprehensive income attributable to unitholders of the Trust		-

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

Medallion Trust Series 2016-2
Balance Sheet
As at 30 June 2017

	Notes	2017 \$'000
Assets		
Cash and cash equivalents	12(a)	179
Loans and other receivables	6	1,761,488
Other assets	7	<u>40,646</u>
Total assets		<u>1,802,313</u>
Liabilities		
Trade and other payables	8	6,491
Interest bearing liabilities	9	<u>1,795,822</u>
Total liabilities		<u>1,802,313</u>
Net assets attributable to the unitholders of the Trust		<u>-</u>
Trust capital		
Trust corpus*	11	-
Retained earnings		<u>-</u>
Total trust capital attributable to the unitholders of the Trust		<u>-</u>

* Trust corpus of \$200 has been rounded to \$nil.

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

Medallion Trust Series 2016-2
Statement of Changes in Equity
For the period from 16 December 2016 to 30 June 2017

	Trust corpus \$'000	Retained earnings \$'000	Total \$'000
Balance at 16 December 2016	-	-	-
Profit for the period	-	-	-
Total comprehensive income attributable to the unitholders of the Trust	-	-	-
Balance at 30 June 2017	-	-	-

* Trust corpus of \$200 has been rounded to \$nil.

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

Medallion Trust Series 2016-2
Statement of Cash Flows
For the period from 16 December 2016 to 30 June 2017

	Period from 16 December 2016 to 30 June 2017 Notes \$'000
Cash flows from operating activities	
Interest received from ultimate parent entity	21,038
Fee income received	112
Finance costs paid to ultimate parent entity	(23,888)
Manager fees paid to related party	(212)
Trustee fees paid	(49)
Liquidity facility fees paid to ultimate parent entity	(26)
Other expenses paid	(76)
Net cash outflow from operating activities	12(c) <u>(3,101)</u>
Cash flows from investing activities	
Receipts on loans to ultimate parent entity	<u>(1,792,692)</u>
Net cash outflow from investing activities	<u>(1,792,692)</u>
Cash flows from financing activities	
Proceeds of borrowing from ultimate parent entity	150
Repayment of notes issued	<u>1,795,822</u>
Net cash inflow from financing activities	<u>1,795,972</u>
Net increase in cash and cash equivalents	179
Cash and cash equivalents at the beginning of the financial period	-
Cash and cash equivalents at the end of the financial period	12(a) <u>179</u>

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 Special Purpose Financial Statements ("the Financial Statements") of Medallion Trust Series 2016-2 ("the Trust") for the financial period from 16 December 2016 to 30 June 2017 were approved and authorised for issue by the Board of Directors of Securitisation Advisory Services Pty Limited ("the Manager") on 18 October 2017. The Directors of the Manager have the power to amend and reissue the Financial Statements.

The Trust was constituted on 16 December 2016 and established under the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 16 December 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 issue of notes to noteholders and beneficial interest to the income unitholder occurred on 10 January 2017.

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 Ground Floor, Tower 1, 201 Sussex 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.

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Financial Statements cover the Trust as an individual entity.

(b) Basis of preparation

In the Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements.

The Financial Statements have been prepared for the sole purpose of complying with the Trust Deed requirements to prepare and distribute a financial report to the Trustee and must not be used for any other purpose. The Financial Statements contain disclosures that are mandatory under the Australian Accounting Standards and the Manager has determined that the accounting policies adopted are appropriate to meet the needs of the Trustee. The Trust is a for-profit entity for the purpose of preparing the Financial Statements.

1 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

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

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 on a going concern basis under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed further in Note 1 (o).

(c) Future accounting developments

AASB 9 *Financial Instruments* introduces an 'expected credit loss' model, revised classification and measurement requirements and modified hedge accounting rules. AASB 9 is not mandatorily effective until 1 July 2018 and the Trust does not intend to early adopt the standard.

Impairment

AASB 9 expected credit loss model replaces the existing incurred loss model requirement to recognise impairment when there is objective evidence of default. It requires entities to recognise expected credit losses based on unbiased forward looking information. The key changes under AASB 9 are as follows:

AASB 9 requires more timely recognition of expected credit losses using a three stage approach. For financial assets where there has been no significant increase in credit risk since origination, a provision equivalent to 12 months expected credit losses is recognised. For financial assets where there has been a significant increase in credit risk or where the asset is credit impaired, a provision equivalent to full lifetime expected loss is required.

Expected credit losses are probability weighted amounts determined 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.

Classification and measurement

AASB 9 replaces the classification and measurement requirements in AASB 139 with the approach that classifies financial assets based on a business model for managing financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial assets can be classified as financial assets at amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income "OCI". Non-traded equity instruments can be measured at fair value through OCI.

1 Summary of significant accounting policies (continued)

(c) Future accounting developments (continued)

Hedging

AASB 9 will change hedge accounting by introducing more principal based approach to hedge effectiveness testing and by increasing eligibility of both hedge instruments and hedged items. Adoption of the new hedge accounting model is optional and current hedge accounting under AASB 139 can continue to apply until the IASB completes its accounting for dynamic risk management project. The Trust will apply the new hedge accounting requirements from 1 July 2018.

A Group-wide program has been in progress to implement AASB 9 requirements. It is not practical to disclose a financial impact until the implementation program is further advanced and reliable estimates of the impact are available.

AASB 15 *Revenue from Contracts with Customers* introduces a single model for the recognition of revenue based on when control of goods and services transfers to a customer. It does not apply to financial instruments. AASB 15 is not mandatory until 1 July 2018 for the Trust.

AASB 16 *Leases* amends the accounting for leases. Lessees will be required to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the Trust.

AASB 17 *Insurance Contracts* introduces three new measurement approaches for accounting for insurance contracts. These include the Building Block Approach for long term contracts; the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating contracts. In addition, the level of contract aggregation is likely to be lower than under current practices. AASB 17 is not mandatory until 1 July 2021 for the Trust.

The potential financial impacts of the above to the Trust have not yet been determined. The Trust does not intend to early adopt these standards.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Trust's accounting policies.

(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 recognised and measured at the fair value of consideration received or receivable.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Trust, and specific criteria have been met for each of the Trust's activities as described below.

1 Summary of significant accounting policies (continued)

(e) Revenue and expense recognition (continued)

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method and includes fees integral to the establishment of financial instruments. Fee income and direct costs relating to loan origination are deferred and amortised to interest earned on loans and other receivables over the life of the loan using the effective interest method.

(ii) Fee income

Fee income is recognised on an accrual basis.

(iii) Finance costs

Finance costs relating to the MTNs and related borrowings are recognised on an accrual basis using the effective interest method.

(iv) Other expenses

Other expenses are recognised on an accrual basis.

(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.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of any amount of GST recoverable from, or payable to, the taxation authority.

(h) Cash and cash equivalents

Cash and cash equivalents presented in the Financial Statements comprise cash at bank and money at short call with an original maturity of three months or less. They are measured at the face value or the gross value of the outstanding balance. Cash at bank earns interest at a floating rate based on daily deposit rates.

1 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents (continued)

Extraordinary Expense Reserve

Extraordinary Expense Reserve was provided to meet possible shortfalls in the payment of interest on the notes other than the Class B 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 Statement of Comprehensive Income. The Extraordinary Expense Reserve is \$150K.

(i) Financial assets and liabilities

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

- Loans and other receivables
- Liabilities at amortised cost - interest bearing liabilities
- Derivative assets/liabilities

(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. Loans and other receivables are initially recognised at fair value including direct and incremental costs and are subsequently measured at amortised cost using the effective interest method.

Under Australian Accounting Standards, securitised loans originated by the Bank and held by the Trust, are not permitted to be derecognised from the books of the Bank. 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 Commonwealth Bank of Australia Group ("the Group").

Securitised mortgage loans are classified as amounts due from the ultimate parent entity.

(ii) Interest bearing liabilities

Interest bearing liabilities comprise of Australian dollar denominated medium term notes issued by the Trust. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments

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

Derivative financial instruments are used to hedge certain assets and liabilities.

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 139 *Financial Instruments: Recognition and Measurement*, 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 imputed loans and intra-group interest.

1 Summary of significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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.

(j) Other assets

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

(k) Trade and other payables

Trade and other payables are recognised on an accrual basis and represent liabilities for goods and services provided to the Trust prior to the end of the financial year and arise when the Trust becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Provisions

A provision is recognised in the Balance Sheet when the Trust has a present obligation (legal, equitable or constructive) as a result of a past event, and where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

(m) 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.

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 income received on loans to the ultimate parent entity in the Financial Statements.

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

(n) 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.

1 Summary of significant accounting policies (continued)

(n) Trust capital (continued)

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 due but unpaid excess distribution.

(o) 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. No transactions or balances were subject to critical estimates or judgements during the financial year.

2 Revenue from continuing operations

	Period from 16 December 2016 to 30 June 2017 \$'000
Interest income - ultimate parent entity	26,765
Fee income	135
Total revenue from continuing operations	<u>26,900</u>

3 Finance costs

	Period from 16 December 2016 to 30 June 2017 \$'000
Interest expense on notes	26,042
Total finance costs	<u>26,042</u>

Medallion Trust Series 2016-2
Notes to the Financial Statements
For the period from 16 December 2016 to 30 June 2017
(continued)

4 Expenses

	Period from 16 December 2016 to 30 June 2017 \$'000
Arranger fees - related party	459
Manager fees - related party	256
Liquidity facility fees - ultimate parent entity	27
Trustee fees	51
Other expenses	65
Total expenses	858

5 Remuneration of auditor

	Period from 16 December 2016 to 30 June 2017 \$
Audit fees	19,023

6 Loans and other receivables

	2017 \$'000
Loans to ultimate parent entity	1,761,488
Total loans and other receivables	1,761,488

7 Other assets

	2017 \$'000
Interest receivable - ultimate parent entity	1
Interest receivable on loans to ultimate parent entity	2,877
Collections of principal, interest and fees receivable from ultimate parent entity	37,737
Prepaid expenses	31
Total other assets	40,646

8 Trade and other payables

	2017 \$'000
Interest payable - medium term notes	2,154
Excess servicing fees payable - ultimate parent entity	3,661
Manager fees payable - related party	44
Arranger fees payable - related party	459
Liquidity facility fees payable - ultimate parent entity	1
Trustee fees payable	2
Extraordinary expense reserve payable to ultimate parent entity	150
Other payables	20
Total trade and other payables	6,491

9 Interest bearing liabilities

	2017 \$'000
Medium term notes	1,795,822
Total interest bearing liabilities	1,795,822

10 Distribution

Distribution paid and payable to the income unitholder, the Bank, for the period from 16 December 2016 to 30 June 2017 was \$nil.

11 Trust corpus

Trust corpus as at 30 June 2017 was \$200, which is rounded to \$nil.

12 Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and money at short call.

	2017 \$'000
Cash at bank	179
Cash and cash equivalents at the end of the period	179

12 Notes to the Statement of Cash Flows (continued)

(b) 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 \$15.0 million. The amount drawn under this facility at period end was \$nil.

(c) Reconciliation of profit for the period to net cash outflow from operating activities

	2017 \$'000
Profit for the year	-
Change in operating assets and liabilities:	
Increase in other assets	(9,442)
Increase in interest payable	2,154
Increase in other payable	4,187
Net cash outflow from operating activities	<u>(3,101)</u>

13 Contingent liabilities, contingent assets and commitments

There were no outstanding contingent liabilities, contingent assets or commitments as at 30 June 2017.

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.

**Medallion Trust Series 2016-2
Manager's Statement**

For the period from 16 December 2016 to 30 June 2017

In the opinion of the Manager:

- (a) the Financial Statements and Notes thereto comply with applicable Accounting Standards to the extent described in Note 1 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 2017 and of its performance for the period from 16 December 2016 to 30 June 2017, in accordance with the bases of accounting set out in Note 1;
- (c) the Trust operated during the period from 16 December 2016 to 30 June 2017 in accordance with the provisions of the Master Trust Deed; and
- (d) 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 2016-2.



Director
Sydney
18 October 2017

**Medallion Trust Series 2016-2
Trustee's Report**

For the period from 16 December 2016 to 30 June 2017

The Special Purpose Financial Statements for the period from 16 December 2016 to 30 June 2017 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.



Juan Manuel Gilarte

Sydney
18 October 2017



Independent auditor's report

To the unitholders of Medallion Trust Series 2016-2

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of Medallion Trust Series 2016-2 (the Trust) as at 30 June 2017 and of its financial performance and its cash flows for the period 16 December 2016 to 30 June 2017 in accordance with the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 16 December 2016.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2017
- the statement of comprehensive income for the period 16 December 2016 to 30 June 2017
- the statement of changes in equity for the period 16 December 2016 to 30 June 2017
- the statement of cash flows for the period 16 December 2016 to 30 June 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and 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 Medallion Trust Series 2016-1 to meet the financial reporting requirements of the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 16 December 2016. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Medallion Trust Series 2016-2 and unitholders and should not be distributed to or used by parties other than Medallion Trust Series 2016-2 and unitholders. Our opinion is not modified in respect of this matter.

Other information

The Manager of the Trust is responsible for the other information. The other information obtained at the date of this auditor's report comprises the Manager's Report included in the Annual Financial Report, but does not include the financial report and our auditor's report thereon.

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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 identified above 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 Manager of the Trust for the financial report

The Manager of the Trust is responsible for the preparation of the financial report that gives a true and fair view in accordance with the basis of preparation as described in Note 1 and the Master Trust Deed dated 8 October 1997 and a Series Supplement dated 16 December 2016, and this includes determining that the basis of preparation as described in Note 1 is an acceptable basis of preparation in the circumstances. The Manager of the Trust is also responsible for such internal control as the Manager of the Trust determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Manager of the Trust is 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 Manager of the Trust 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

PricewaterhouseCoopers

Asley Wood

A S Wood
Partner

Sydney
18 October 2017