

IDOL Trust Series 2011-1
Special Purpose Financial Report
For the year ended 31 December 2019

IDOL Trust Series 2011-1
ABN 71 149 074 871
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IDOL Trust Series 2011-1
Statement of Comprehensive Income
For the year ended 31 December 2019

STATEMENT OF COMPREHENSIVE INCOME

amounts in thousands of dollars	Note	2019	2018
Interest income using effective interest rate method		4,356	5,429
Other interest income		-	-
Total interest income		4,356	5,429
Interest expense using effective interest rate method		(2,504)	(3,539)
Other interest expense		(1,099)	(931)
Total interest expense		(3,603)	(4,470)
Net interest income/(expense)		753	959
Net non-interest income/(expense)		(65)	77
Total operating income	3	688	1,036
Servicer and manager fees		(288)	(343)
Liquidity fees		(19)	(23)
Trustee fees		(14)	(18)
Other expenses	4	(96)	(59)
Total operating expenses		(417)	(443)
Operating profit/(loss) before tax		271	593
Income tax expense		-	-
Profit/(loss) for the year		271	593
Other comprehensive income		-	-
Distribution to unitholders		(366)	(548)
Change in net assets/(liabilities) attributable to unitholders		(95)	45
Total comprehensive (expense)/income		(95)	45

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 13.

IDOL Trust Series 2011-1
Statement of Financial Position
As at 31 December 2019

STATEMENT OF FINANCIAL POSITION

amounts in thousands of dollars	Note	2019	2018
Assets			
Cash and cash equivalents	6	3,841	3,649
Receivables from related party		86,525	104,368
Other assets		-	-
Total assets		90,366	108,017
Liabilities			
Payables	7	1,847	2,255
Interest bearing liabilities	8	88,491	105,747
Derivative liabilities		175	67
Total liabilities		90,513	108,069
Net (liabilities)/assets		(147)	(52)
Net (liabilities)/assets attributable to unitholders		(147)	(52)

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 13.

STATEMENT OF CHANGES IN EQUITY

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

IDOL Trust Series 2011-1
Statement of Cash Flows
For the year ended 31 December 2019

STATEMENT OF CASH FLOWS

amounts in thousands of dollars	Note	2019	2018
Cash flows from operating activities			
Operating profit before tax		271	593
Changes in:			
Derivatives		108	(30)
Other assets		-	9
Other payables		20	(157)
Net cash flows from operating activities		399	415
Cash flows from financing activities			
Payments (to)/from related parties		17,843	24,048
Principal pass-through to noteholders		(17,256)	(25,791)
Distribution paid		(484)	(580)
Liquidity collateral paid		(310)	(502)
Net cash flows used in financing activities		(207)	(2,825)
Net cash flows		192	(2,410)
Cash and cash equivalents at beginning of year		3,649	6,059
Cash and cash equivalents at end of year	6	3,841	3,649

Interest received was \$4.4 million (2018: \$5.4 million) and interest paid was \$3.6 million (2018: \$4.4 million) and is included in cash flows from operating and financing activities.

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 13.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General information

The Special Purpose Financial Statements of IDOL Trust Series 2011-1 (the "Trust") for the year ended 31 December 2019 were approved and authorised for issue by the Trust Manager, ING Bank (Australia) Limited (the "Manager"), on the 13 March 2020. The Manager has the power to amend the Financial Statements after issue, if applicable.

IDOL Trust Series 2011-1 was established on 17 June 2011 by the Series Notice dated 15 June 2011 between the Manager and the Trustee, Perpetual Corporate Trust Limited, for the purpose of purchasing loans from ING Bank (Australia) Limited (the "Bank" or "IBAL") and issuing securities as part of the funding activities of IBAL.

The Financial Statements of the Trust have been drawn up as Special Purpose Financial Statements for distribution to the Trustee and for the purpose of fulfilling the requirements of the Master Trust Deed dated 12 October 2010 and the Series Notice dated 15 June 2011. The Financial Statements are presented in Australian dollars, which is also the functional currency.

The Trust is domiciled in Australia. The address of its principal office is Level 28, 60 Margaret Street, Sydney, NSW, 2000, Australia. The Trust is a for-profit entity.

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

b) Basis of preparation

In the Manager's opinion, the Trust is not publicly accountable nor a reporting entity because there are no users dependent on General Purpose Financial Reports. These 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 Manager has determined that the accounting policies adopted are appropriate to meet the needs of the Trustee.

The Financial Statements have been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AAS") and Interpretations issued by the Australian Accounting Standards Board.

The Financial Statements contain the disclosures of the following AAS and those considered necessary by the Manager to meet the needs of the unitholders:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1048 *Interpretation and Application of Standards*
- AASB 1054 *Australian Additional Disclosures*.

The financial statements are prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value.

c) Statement of compliance

The Special Purpose Financial Statements comply with the recognition, measurement and classification aspects of all applicable AAS and International Financial Reporting Standards ("IFRS").

The accounting policies have been consistently applied over the reporting periods in the Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Going concern

In accordance with the Series Notice, the manager may make a "Clean Up Call" when the aggregate principal outstanding amount of the interest bearing liabilities held is less than 10% of the aggregate principal outstanding as at the Issue Date. The Manager anticipates that it may execute this "Clean Up Call" option to redeem all remaining outstanding interest bearing liabilities in 2020.

These financial statements are prepared on a going concern basis on the basis that the Clean Up Call is conditional on the developments in the underlying mortgage pool during the year 2020 and the fact that the execution of the Clean Up Call option is at the discretion of Manager. After this, the Trust will be wound up.

As at 31 December 2019, the Trust had a net liabilities position of \$0.15 million primarily due to the recognition of a net loss on derivatives. The derivatives are held by the Trust to manage its exposures to interest rate risks.

As at 31 December 2019, IBAL had guaranteed a liquidity facility of \$1.6 million (2018: \$1.9 million) to the Trust. In accordance with the Liquidity Facility Agreement, the Trust has unrestricted access to the liquidity facility to meet its debts and remain solvent. The termination date of the liquidity facility is 17 June 2042. As at the signing date of this report, the liquidity facility was \$1.6 million, with no amount drawn to date.

The Trustee acknowledges that the Liquidity Facility Provider, IBAL, is entitled to the repayment of the drawn amount and to the payment of interest, in respect of the liquidity facility. The Trustee irrevocably undertakes to make such payments in accordance with the Liquidity Facility Agreement and the Series Notice.

Based on the remaining undrawn liquidity facility and the underlying operational performance of the Trust (i.e. excluding the fair value of derivatives), the Manager considers it appropriate to prepare these financial statements using the going concern basis of preparation.

e) Revenue and expense recognition

Interest income

Interest income on financial assets measured at amortised cost is recognised using a calculated effective interest rate method which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Contractual interest on instruments not held at amortised cost is included in other interest income.

Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised using a calculated effective interest rate method. Interest expense includes issue costs that are initially recognised as part of the carrying value of the liability and amortised over the expected life. These include fees and commissions payable and other expenses that are direct and incremental costs related to the issue of a financial liability. Contractual interest on instruments not held at amortised cost is included in other interest expense.

Interest income and expense related to the same derivative financial instrument are presented net in the statement of comprehensive income.

Non-interest income

Fees and commissions that relate to the execution of a significant act (for example, fees charged for early repayment or processing a progressive drawdown of a loan) are recognised in non-interest income when the significant act has been completed. Fees charged for providing ongoing services (for example, providing an undrawn facility, processing the discharge of a loan) are recognised in non-interest income over the period the service is provided.

Fee income earned which is associated with the origination of loans and advances are deferred and form part of the amortised cost of the asset or liability and result in an adjustment to the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating expenses

Operating expenses include servicer and manager fees, liquidity facility fees, Trustee and security trustee fees and rating agency surveillance fees. They are brought to account on an accruals basis.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, in banks and at-call loans excluding cash collateral. These are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value and are initially measured at fair value and subsequently measured at amortised cost which is an approximation of fair value as they are short term in nature.

g) General classification framework and measurement of financial assets and liabilities

All financial assets and liabilities are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Financial assets and liabilities are subsequently measured at amortised cost with the exception of derivative financial instruments, which are recognised at fair value through profit and loss.

The Trust classifies the financial assets and liabilities into certain categories which determine the accounting treatment of the item. The Trust has adopted the following categories:

- Receivables from related party (amortised cost);
- Interest bearing liabilities (amortised cost); and
- Derivative financial instruments (fair value through profit and loss).

h) Recognition and derecognition of financial assets and liabilities

The Trust recognises a financial asset or financial liability in its balance sheet when the Trust becomes party to the contractual provisions of the instrument. This is usually on the trade date, being the date the Trust commits itself to purchase or sell an asset. Receivables from related party are recognised using settlement date accounting, the date at which the equitable rights to selected mortgage loans are packaged and sold to the Trust.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or where the Trust has transferred substantially all risks and rewards of ownership. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognised in the income statement.

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial instrument that has been extinguished and the consideration paid is recognised in the income statement.

i) Receivables from related party

The Trust was created as part of the funding activities of IBAL. Under IBAL's loan securitisation program the equitable rights to selected mortgage loans are packaged and sold to the Trust. The Trust in turn funds its purchase of the loans by issuing floating rate note securities. IBAL does not guarantee the payment of interest or the repayment of principal due on the securities.

The loans subject to the securitisation program have been pledged as security for the securities issued by the Trust. Under AASB 9 the securitised loans originated by IBAL and held by the Trust, are not permitted to be derecognised from the books of IBAL due to it retaining substantially all the risks and rewards associated with the loans. The obligation to repay this amount to the Trust is recognised as a financial asset in the Trust and included within loans and other receivables. The amount is payable on demand.

The Trust does not apply an Expected Credit Loss ("ECL") model to the receivable from related party as the securitised loans are not derecognised by IBAL and any losses associated with the securitised loans, expected or actual, will be borne by IBAL. IBAL is not obliged to support any losses that may be suffered by investors and does not intend to provide such support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Derivatives and hedge accounting

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

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, including market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities where their fair value is negative.

The Trust does not apply hedge accounting.

k) Offsetting financial assets and liabilities

The Trust offsets financial assets and liabilities and reports the net balance in the Statement of Financial Position where there is a legally enforceable right to set-off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

l) Payables

Payables and other liabilities represent accrued interest and accrued expenses for services provided to the Trust prior to the end of the financial year which remain unpaid. They are recognised on an accruals basis.

m) Interest bearing liabilities

Floating rate note securities issued to fund the purchase of the loans are recognised initially at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

Residual and capital income units represent beneficial interests in the assets of the Trust and are carried on the Statement of Financial Position as interest bearing liabilities at the principal amount outstanding.

n) Residual income distribution

The Master Trust Deed stipulates that the residual income distribution is determined by the Trust Manager. The Manager has determined that the residual income distribution is the higher of profit before tax, adjusted for any unrealised gain or loss on derivatives, or the taxable income of the Trust.

Residual income distribution is recognised as it accrues. Notwithstanding the distribution determined by the Manager, this amount is only paid out to the extent that there is cash available for distribution in accordance with clause 7 of the Series Notice dated 15 June 2011.

o) Taxation

Income tax

Under current income tax legislation, the Trust is not liable for income tax provided its taxable income (including assessable realised capital gains) is fully distributed each year.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- when the GST incurred on the purchases of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) New standards and interpretations not yet adopted

There are no new standards or interpretations issued that are not yet effective and that would be expected to have a material impact on the Trust in the current or future reporting periods.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Trust's accounting policies, the Manager continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Trust. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

Area	Significant estimates and judgements
Financial instruments fair value	The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Manager of the Trust establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques are subjective in nature and involve various assumptions regarding pricing factors.

3. OPERATING INCOME

amounts in thousands of dollars	2019	2018
Interest income		
Cash	23	45
Loans and advances	4,333	5,384
Total interest income	4,356	5,429
Interest expense		
Debt issues	(2,504)	(3,539)
Derivative liabilities	(1,099)	(931)
Total interest expense	(3,603)	(4,470)
Net interest income/(expense)	753	959
Non-interest income/(expense)		
Account fees	32	32
Net gains/(losses) on derivative financial instruments	(95)	45
Other	(2)	-
Net non-interest income/(expense)	(65)	77
Total operating income	688	1,036

4. OTHER EXPENSES

amounts in thousands of dollars	2019	2018
Audit fees	17	17
Rating agency fees	50	20
Other expenses	30	22
Total other expenses	96	59

5. REMUNERATION OF AUDITOR

amounts in thousands of dollars	2019	2018
Amounts paid or payable for audit of the financial report	17	17

6. CASH AND CASH EQUIVALENTS

amounts in thousands of dollars	2019	2018
Cash at bank	224	33
Cash equivalents due from other financial institutions	3,617	3,616
Cash and cash equivalents at the end of the year	3,841	3,649

The liquidity facility of \$1.6 million (2018: \$1.9 million) is undrawn as at 31 December 2019.

7. PAYABLES

amounts in thousands of dollars	2019	2018
Payable to related parties - liquidity collateral	1,592	1,902
Residual income distribution payable	209	327
Accrued interest payable	-	-
Servicer and manager fees payable	6	7
Other payables	40	19
Total payables	1,847	2,255

8. INTEREST BEARING LIABILITIES

amounts in thousands of dollars	2019	2018
Class A1 Notes	76,971	91,980
Class AB Notes	7,089	8,472
Class B Notes	4,431	5,295
Total interest bearing liabilities	88,491	105,747
Maturity analysis of interest bearing liabilities		
Less than 12 months	88,491	105,747
Total interest bearing liabilities	88,491	105,747

Residual capital and income units

The beneficial interest in the Trust is represented by a single residual capital unit issued at a price of \$10 and a residual income unit issued at a price of \$10.

The holder of the residual capital unit has no right to receive distributions from the Trust other than the right to receive the amount of \$10 on termination of the Trust.

The beneficial interest held by the residual income unitholder is limited to the Trust and each asset of the Trust (other than any asset of that Trust held on trust for the residual capital beneficiary). The residual income beneficiary has a right to receive distributions in respect of the Trust in accordance with the Master Trust Deed and the Series Notice.

9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets nor any contingent liabilities at reporting date which would have a material effect on the Financial Statements as at 31 December 2019 (2018: Nil)

10. SUBSEQUENT EVENTS

No subsequent events or transactions have occurred since 31 December 2019 or are pending that would have a material effect on the Financial Report.

STATEMENT BY THE TRUST MANAGER

IDOL Trust Series 2011-1 is neither publicly accountable nor a reporting entity. The financial statements of the Trust have been drawn up as special purpose financial statements for the purpose of fulfilling the requirements of the Master Trust Deed dated 12 October 2010 and the Series Notice dated 15 June 2011.

In the opinion of the Trust Manager of IDOL Trust Series 2011-1 ("the Trust"), being ING Bank (Australia) Limited, the financial statements and notes set out on pages 3 to 13 are in accordance with clause 16 of the Master Trust Deed, including:

- (i) presenting fairly, in all material respects, the financial position of the Trust as at 31 December 2019 and of its financial performance for the year ended 31 December 2019;
- (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the provisions of the Trust Deed; and
- (iii) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.



Alan Lee
For and on behalf of ING Bank (Australia) Limited
Trust Manager

Sydney
13 March 2020



Independent Auditor's Report

To the Unitholders of IDOL Trust Series 2011-1

Opinion

We have audited the Financial Report of IDOL Trust Series 2011-1 (the "Trust").

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of the Trust as at 31 December 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the basis of preparation described in Note 1 of the financial statements.

The Financial Report comprises the:

- Statement of financial position as at 31 December 2019;
- Statement of comprehensive income, Statement of changes in Equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Statement by the Trust Manager.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

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

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

The Financial Report has been prepared to assist ING Bank (Australia) Limited, the Trust Manager of IDOL Trust Series 2011-1, in complying with the financial reporting requirements of the Master Trust Deed and the Series Notice.

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

Our report is intended solely for the Unitholders of IDOL Trust Series 2011-1 and should not be used by or distributed to parties other than Unitholders of IDOL Trust Series 2011-1. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Unitholders of IDOL Trust Series 2011-1 or for any other purpose than that for which it was prepared.

Responsibilities of Trust Manager for the Financial Report

The Trust Manager is responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the financial reporting requirements of the Master Trust Deed and the Series Notice and has determined that the basis of preparation described in Note 1 to the Financial Report is appropriate to meet the needs of the Unitholders of IDOL Trust Series 2011-1;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.



KPMG

Sydney
13 March 2020