

ANNUAL REPORT **2017**

Year ended 31 December 2017



ColumbusCapital

Contents

Directors' Report	2
Auditor's Independence Declaration	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	37
Independent Auditor's Report	38

Directors' Report

The directors of Columbus Capital Pty Limited ("Columbus Capital", "Columbus", or the "Company") and its controlled entities (together the "Group") submit herewith the annual financial report of the Group for the year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The directors in office during or since the end of the financial year, were:

Andrew Mark Chepul
Ilias Pavlopoulos
Muhamad Umar Swift
Tunku Ya'acob Bin Tunku Abdullah

DIVIDENDS

No dividend was declared and paid since the start of the financial year (2016: Nil), nor do the directors recommend the declaration of a dividend.

PRINCIPAL ACTIVITIES

Columbus Capital Pty Limited is a wholesale Non-Bank Financial Institution (NBFI). Columbus Capital Pty Limited provides, primarily to retail Mortgage Management companies, products, services and infrastructure to facilitate the provision of mortgage product to potential borrowers.

The funding for the portfolio of mortgages is advanced from a blend of wholesale bank warehouse lines and through securitisation to wholesale investors.

The Group continues to focus on the expansion strategy largely focusing on strategic origination relationships and also towards diversifying its consumer and commercial product offering and servicing.



Directors Andrew Chepul, CEO and Ilias Pavlopoulos, COO

REVIEW OF OPERATIONS

The net profit before tax of the Group was \$5,699,000 (2016: \$1,860,000) for the financial year. Key points in the financial results for 2017 are as follows:

- Mortgage asset growth of 51% to \$2.776 billion during the year (2016: 33% to \$1.840 billion).
- Originations for the year totalling \$1.262 billion, a 69% increase on the prior year's figure of \$745m.
- Launch of two new trust series through public term issuances, each raising \$500m and a new warehouse facility for originations.
- Profit before tax increase of 206% on the prior year.
- Earnings before interest, taxes, depreciation and amortisation (including trust and corporate amortisations) for the year ended 31 December 2017 of \$14.194m.
- Loans > 31 days in arrears stood at 0.63% of the total mortgage portfolio, as at 31 December 2017 (2016: 0.91%).

The focus of the Group during 2017 was growth of its loan portfolio, through expansion of its distribution network and further development of its retail sales function.

In February 2017, Columbus launched the 'Vermilion Trust', a new warehouse within the core mortgage backed securitisation business.

CHANGES IN STATE OF AFFAIRS

The Group has continued with its strategy of building new relationships and securing new funding lines during 2017. New warehouse lines and additional capacity has meant that the Group has circa \$2.3 billion in short-term warehouse facilities, with further expansion envisaged.

There have been no other changes to the state of affairs of Columbus Capital Pty Limited other than as outlined in this report.

SUBSEQUENT EVENTS

There have been no significant events occurring after the reporting date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

FUTURE DEVELOPMENTS

The Group continues to tender its servicing capabilities and is open to potential acquisition opportunities assessing any proposals on their value and fit for the overall loan portfolio.

Disclosure of additional information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly this information has not been disclosed in this report.

GOING CONCERN

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

The Trusts are reliant on external funding in order to carry out their activities. The funding is secured against the assets of the Trusts. The Group's maturing funding line have been extended since the year end. Two of them into 2019, with the other facility taken to its renewal date in September 2018. The directors do not believe that any technical tenures for its warehouse funding lines will affect the ability of the Group to operate as a going concern. Refer to Note 20 (h) for the debt maturity profile.

ENVIRONMENTAL ISSUES

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory. The business is conscious of its potential environmental impact and where possible consideration is taken when making strategic decisions. When agreeing supplier/third party contract their records on such matters are reviewed, where such information is available.

OPTIONS

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INDEMNIFYING OFFICERS

During the financial year, the Group paid a premium in respect of a contract of insurance for the directors and executive officers of the Group. The contract of insurance prohibits disclosure of the nature of the risks insured and the premium paid.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party to for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

AUDITOR'S INDEPENDENCE

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' report for the year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors.


 Andrew Mark Chepul
 Executive Director

Sydney, 17 April 2018



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Columbus Capital Pty Limited

As lead auditor for the audit of Columbus Capital Pty Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Columbus Capital Pty Limited and the entities it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'R. Balfour'.

Richard Balfour
Partner
Sydney

17 April 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Notes	\$000	\$000	\$000	\$000
Interest and similar income	4.1	88,244	62,772	261	265
Interest and similar expense	4.2	(76,543)	(55,866)	(729)	(976)
Net interest income/(expense)		11,701	6,906	(468)	(711)
Net gain on financial instruments designated at fair value through profit or loss/hedge inefficiency		210	10	311	18
Other operating income	4.3	7,157	4,044	20,764	9,865
Net operating income		19,068	10,960	20,607	9,172
Employee expenses	4.4	5,152	3,701	5,152	3,701
Depreciation and amortisation expenses of non-financial assets		299	533	299	533
Bad debts		1,486	16	-	3
Other operating expenses	4.5	6,432	4,850	4,820	3,611
Total operating expenses		13,369	9,100	10,271	7,848
Profit before tax		5,699	1,860	10,336	1,324
Income tax (expense)/benefit	5	(1,882)	(631)	(1,707)	285
Profit for the year		3,817	1,229	8,629	1,609
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Net gain/(loss) on cash flow hedges		1,446	(1,261)	-	-
Total other comprehensive income/(loss) for the year		5,263	(32)	8,629	1,609
Total comprehensive income/(loss) attributable to:					
Owners of the Group		5,263	(32)	8,629	1,609

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 31 December 2017

		Group		Company	
	Notes	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Assets					
Cash and cash equivalents	6	121,699	51,228	11,683	8,259
Trade and other receivables		1,612	3,673	2,798	3,830
Mortgage assets	7	2,776,231	1,840,919	367	779
Other financial assets	8	2,699	1,789	72,533	58,700
Derivative assets	12	48	-	-	-
Property, plant and equipment		36	55	36	55
Deferred tax assets		6,291	5,616	5,445	4,527
Intangible assets		89	358	89	358
Total assets		2,908,705	1,903,638	92,951	76,508
Liabilities					
Trade and other payables		7,254	4,051	7,486	4,252
Borrowings	9	2,836,701	1,845,465	6,657	9,324
Derivative liabilities	12	390	2,252	-	-
Employee benefit liabilities		476	314	476	314
Other financial liabilities	10	38,410	34,467	50,084	45,608
Deferred tax liabilities		6,422	3,300	4,353	1,744
Total liabilities		2,889,653	1,889,849	69,056	61,242
Net assets		19,052	13,789	23,895	15,266
Equity					
Issued capital	11	22,181	22,181	22,181	22,181
(Accumulated losses)/retained earnings		(3,187)	(7,004)	1,714	(6,915)
Cash flow hedge reserve		58	(1,388)	-	-
Total equity		19,052	13,789	23,895	15,266

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2017

Group				
	Issued capital (Note 11)	Accumulated Losses	Cash flow hedge reserve	Total
	\$000	\$000	\$000	\$000
At 1 January 2017	22,181	(7,004)	(1,388)	13,789
Profit for the year	-	3,817	-	3,817
Other comprehensive income	-	-	1,446	1,446
Total comprehensive income for the year	-	3,817	1,446	5,263
At 31 December 2017	22,181	(3,187)	58	19,052
At 1 January 2016	22,181	(8,233)	(127)	13,821
Profit for the year	-	1,229	-	1,229
Other comprehensive loss	-	-	(1,261)	(1,261)
Total comprehensive income/ (loss) for the year	-	1,229	(1,261)	(32)
At 31 December 2016	22,181	(7,004)	(1,388)	13,789

Company				
	Issued capital (Note 11)	Retained earnings/ (accumulated losses)	Cash flow hedge reserve	Total
	\$000	\$000	\$000	\$000
At 1 January 2017	22,181	(6,915)	-	15,266
Profit for the year	-	8,629	-	8,629
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	8,629	-	8,629
At 31 December 2017	22,181	1,714	-	23,895
At 1 January 2016	22,181	(8,524)	-	13,657
Profit for the year	-	1,609	-	1,609
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	1,609	-	1,609
At 31 December 2016	22,181	(6,915)	-	15,266

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2017

		Group		Company	
	Notes	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Operating activities					
Receipts from borrowers		103,716	75,645	-	-
Bank interest received		1,320	238	120	64
Fees and other receipts		1,827	3,721	30,923	22,124
Payments to distributors, suppliers and employees		(21,001)	(19,238)	(26,631)	(23,742)
Interest and other costs of finance paid		(70,497)	(50,746)	2,595	(976)
Net cash flows from/(used in) operating activities	6	15,365	9,620	7,007	(2,530)
Investing activities					
Repayment/(origination) of loans		(932,051)	(445,623)	(685)	-
Purchase of fixed assets and intangibles		(11)	(8)	(11)	(8)
Interest received		-	-	141	201
Net cash flows (used in)/from investing activities		(932,062)	(445,631)	(555)	193
Financing activities					
Proceeds from borrowings		990,550	451,326	-	-
Payments of corporate borrowing		(3,382)	(2,966)	(3,382)	(2,966)
Amounts advanced to related parties		-	-	354	2,069
Net cash flows from/(used in) financing activities		987,168	448,360	(3,028)	(897)
Net increase/(decrease) in cash and cash equivalents		70,471	12,349	3,424	(3,234)
Cash and cash equivalents at 1 January		51,228	38,879	8,259	11,493
Cash and cash equivalents at 31 December	6	121,699	51,228	11,683	8,259

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2017

1. Corporate information

The financial report of Columbus Capital Pty Limited ("Columbus Capital", the "Company" or the "Parent") and its controlled entities (collectively, the "Group") for the year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 17 April 2018.

Columbus Capital is a for-profit company limited by shares incorporated in Australia.

The registered office and principal place of business of the Company is Level 8, 77 Castlereagh Street, Sydney, NSW 2000 Australia.

The Parent company holds an Australian financial services licence no. 337303.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for revaluation of certain assets and financial instruments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

Assets and liabilities have been presented on the face of the statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

2.2 Changes in accounting policy, accounting standards and interpretations

New and amended standards and interpretations

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2017 do not materially impact the financial statements of the Group.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective. The Group's interpretations of these new standards and their impact is set out below:

- *AASB 9 Financial Instruments*- The standard is effective for the Group's annual reporting period beginning on 1 January 2018. AASB 9 changes the classification and measurement of financial instruments, changes the current incurred credit loss basis for calculating the allowance for impairment losses to an expected credit loss model (ECL) and introduces new rules for hedge accounting.

The most material impact for the Group relate to the new impairment requirements which primarily apply to the Group's mortgage assets. Under the ECL model, the Group is required to recognise ECL on a 12 month basis on initial recognition (or when the commitment was entered into) and thereafter as long as there is no significant deterioration in credit quality. If a significant deterioration in credit quality arises the Group is required to recognise ECL on a lifetime basis. The calculation of ECL requires significant management judgement, particularly in relation to the consideration of different forward looking macro-economic scenarios as well as the determination of a significant deterioration in credit quality since initial recognition. Based on the Group's assessment, the adoption of the ECL requirements is not expected to have a material impact.

In addition, changes to the classification and measurement requirements impact certain bonds/notes. Specifically, fair value measurement will be required for junior ranking residential mortgage

Notes to the Financial Statements

For the year ended 31 December 2017

2.2 Changes in accounting policy, accounting standards and interpretations (continued)

backed securities held by the Company. Due to the credit performance and behaviour of assets in the underlying pool of such notes, the Group expects that the treatment will remain materially consistent.

AASB 9 allows the Group to continue to apply the hedge accounting requirements of AASB 139. The Group has elected to use this exception.

The ultimate transition impact will be reflected in the (accumulated losses)/retained earnings as at 1 January 2018. The Group does not intend to restate comparative period financial information, as permitted by AASB 9.

- **AASB 15 *Revenue from Contracts with Customers*** - The standard is effective for the Group's annual reporting period beginning on 1 January 2018. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles will be applied using a five step model. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly relating to fulfilling a contract. The new standard is more prescriptive than the current requirements and provides more application guidance. Disclosure requirements will be more extensive. Based on the Group's assessment, the adoption of AASB 15 from 1 January 2018 will only have an immaterial impact as:
 - many of the Group's revenue streams do not fall within the scope of the standard; and
 - the revenue recognition for the Group's revenue streams that fall within the scope of the standard are materially consistent with the current treatment.

- **AASB 16 *Leases*** - The standard is effective for the Group's annual reporting period beginning on 1 January 2019. The scope covers leases on all assets with certain exceptions. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset. The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics e.g financial ratios and EBITDA could be impacted. The standard requires lessees and lessors to make more extensive disclosures than under the current standard. Lessees will have to carefully consider the contracts they enter into to identify any that are, or contain, leases. This evaluation will be important for lessors to determine which contracts or portion of contracts are subject to the new revenue recognition standard. The potential impact of this new standard is being assessed by the Group.

2.3 Basis of consolidation

The financial statements comprise those of Columbus Capital Pty Limited, Nautilus Trust No.1, Triton Trust No.2, Triton Trust No.3, Triton Trust No.5, Triton Trust No.6, Triton Trust No.7, Vermilion Trust (collectively the "Trust"), ColCap Pty Limited, Columbus Capital Funds Management Pty Limited, Columbus Capital Financial Pty Limited, AVA U2 Pty Ltd, Origin Mortgage Management Services Pty Ltd and ColCap Investments Pty Ltd (collectively the "Group").

The financial statements have been prepared by consolidating the financial statements of all entities that comprise the Group, being the Company (the parent entity) and its controlled entities as defined by accounting standard AASB 10 '*Consolidated Financial Statements*'.

Consistent accounting policies have been employed in the preparation and presentation of the financial statements. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits and losses have been eliminated in consolidation.

Notes to the Financial Statements

For the year ended 31 December 2017

2.4 Summary of significant accounting policies

(a) Interest and other income

Upfront fees and commissions charged to customers are included in the amortised cost of the mortgage assets to the extent that they are incremental to the origination of the financial asset. These upfront fees are therefore recognised on a time proportionate basis that takes into account the effective yield on the mortgage asset.

Ongoing interest income relating to the mortgage assets is recognised on a time proportionate basis that takes into account the effective yield on the mortgage asset.

The effective interest method is a method of calculating the amortised cost of a mortgage asset and of allocating interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the mortgage asset, or, where appropriate, a shorter period.

Bank interest and other fees are recognised when the Group's right to receive the payment is established.

(b) Interest expense

The interest expense on borrowings is recognised on an effective yield basis.

(c) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss,

except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income as gain or loss on financial instruments designated at fair value through profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(d) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is

Notes to the Financial Statements

For the year ended 31 December 2017

(d) Income tax (continued)

calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken

into account in the determination of goodwill or excess.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and cash held by trustee. Cash and cash equivalents are measured at fair value, being the principal amount. Cash held in trustee is held in a specific bank account, is controlled by the Trustee and is not available for the Group's use.

Where cash deposits are held as guarantees, transactions may require co-signing by financiers.

Refer to Note 6 for further details.

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when

Notes to the Financial Statements

For the year ended 31 December 2017

(f) Trade and other receivables (continued)

identified. A provision for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(g) Mortgage and financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other comprehensive income.

Mortgage assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that

are not quoted in an active market. Loans and receivables include loan assets, premiums, discounts, and accrued interest. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs relating to loan. Mortgage assets are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate methodology.

Mortgage assets are recognised less allowance for impairment losses (Note 7). The amounts required to bring the allowance for impairment to their assessed levels is recognised in the statement of profit or loss and other comprehensive income each reporting period.

Fair values of financial assets

The Group measures financial instruments, such as, derivatives, and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

For the year ended 31 December 2017

(g) Mortgage and financial assets (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group utilises third party valuations, where third party valuations not available management will review and value the asset.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred

after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

The Group performs both individual and collective impairment calculations. The individual calculation includes an assessment on impaired values on uninsured loans and an estimate of any losses that may arise from loans impaired but covered by mortgage insurance. Losses from insured loans can arise from expenses incurred but not covered and disallowance of insurance in instances where the origination process was found to be defective. The collective impairment calculation covers potential shortfalls in insurance claims plus losses on the non-insured component of the portfolios for loans that are not yet known to be in default.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which

Notes to the Financial Statements

For the year ended 31 December 2017

(h) Leases (continued)

they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Intangible assets

Software

Software costs include certain internal and external costs directly incurred in acquiring and developing software. Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over its estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Intellectual property and other intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

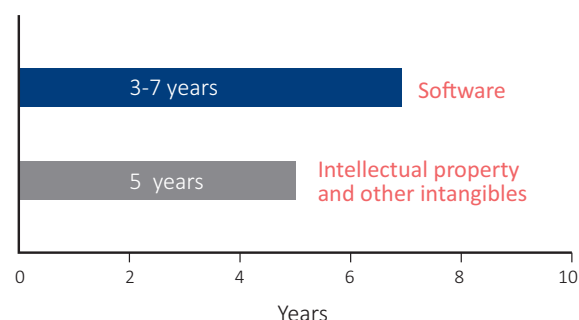
Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible

asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The following estimated useful lives are used in the calculation of amortisation:



(j) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements

For the year ended 31 December 2017

(j) Impairment of non-financial assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Trade and other payables

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Borrowings and financial liabilities

Financial liabilities are initially recognised at fair value net of directly attributable incremental transaction costs. After initial recognition, financial liabilities

are subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the life of the financial liability using the effective interest method.

Financial liabilities comprise the following:

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities and borrowings

Other financial liabilities and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(m) Future trail commission

Future trail commission liability

The amount of trailing commissions payable to introducers is determined using the discounted cash flow (DCF) valuation technique. These calculations require the use of assumptions. The key assumptions underlying the calculation of trailing commissions payable to introducers during the year include the prepayment rate, the expected trail commission rate and the discount rate.

Future trail commission receivable/payable

In relation to the future trail commission payable, the Parent company recognises a receivable from the trust holding the underlying asset which represents the equivalent amount of future trail payable by the Trust. The underlying trusts must pay commission amounts to the Parent company from residual amounts in

Notes to the Financial Statements

For the year ended 31 December 2017

(m) Future trail commission (continued)

respect of the Trust. The commission amounts received are utilised to satisfy ongoing commission payable obligations of the Parent company.

Trail commission payable by the Group is reimbursed by the Trust prior to the distribution to the Group in its capacity as unit holder. Management has also assessed that future earnings from the Trust will be sufficient to cover future trail commission costs expected to be incurred by the Group. Accordingly management are satisfied as to the recoverability of the Group's future trail commission receivable in Note 8.

To the extent that trail commission arrangements are renegotiated, resulting in a reduced or increased trail commission liability, such gain or loss is recognised in the statement of profit or loss and other comprehensive income and disclosed within "Profit on termination/renegotiation of mortgage manager agreements", where the renegotiation relates to a portfolio previously acquired. The contractual arrangements are such that the Company's entitlement to trail commission from the Trust is unchanged by such negotiations.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an

asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Employee benefit liabilities

Liabilities for wages and salaries, including non-monetary benefits, annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the present value of expected future payments when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid.

The long service leave liability is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Provision is made for the full length of service, after an employee completes five years of service, and are measured at the current wage rates.

(p) Investments in controlled entities

Investments by the Company in controlled entities are measured at cost less any accumulated impairment loss.

(q) Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the parent entity.

(r) Comparatives

Similar categories of income and expenses have been grouped together. Prior year comparative information for these amounts, and where necessary, has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

3. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of

Notes to the Financial Statements

For the year ended 31 December 2017

3. Significant accounting judgements, estimates and assumptions (continued)

assets and liabilities that are not readily apparent from other sources. 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date 31 December 2017, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

The Group reviews its financial assets at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss and comprehensive income. In particular, judgements by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment amounts.

Future trail commission

The amount of trailing commissions payable to originators is determined by using the DCF valuation technique. These calculations require the use of assumptions. The key assumptions underlying the calculation of trailing commissions during the year include the prepayment rate, the expected trail commission rate and the discount rate. These

assumptions are determined by management as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
CPR	19%	19%
Discount	10%	10%

Where there has been a contractual reduction in the future commission payable, the value of that reduction is measured using DCF techniques. The resulting value is applied against the existing future trailing commission payable and taken to profit and loss.

Amortised cost and application of the effective interest rate method

Management have reviewed all amounts recognised at amortised cost and determined that all amounts are recognised appropriately under the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. These calculations require the use of assumptions. The key assumptions underlying the amortised cost calculation are the prepayment rate and the estimate of future cash flows.

Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. The Company has estimated its tax provisions based on expected outcomes. Deferred tax assets are recognised for deductible temporary differences and losses carried forward, as management considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. In forming their view, management considers the probability of forecast future taxable income and performs stress testing on expecting budgets to assess the likelihood of deferred tax assets being utilised. Management does not recognise deferred tax assets where utilisation is not considered probable.

Notes to the Financial Statements

For the year ended 31 December 2017

4. Revenue and expenses				
4.1 Interest and similar income	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Mortgage interest income	87,041	62,097	-	-
Bank and other interest	1,203	675	261	265
	88,244	62,772	261	265
4.2 Interest and similar expense	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Interest on borrowings	75,851	55,375	729	976
Swap expense	692	491	-	-
	76,543	55,866	729	976
4.3 Other operating income	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Fees charged for services	3,033	3,796	15,889	9,515
Profit on termination/renewal of mortgage manager agreements	3,613	-	3,613	-
Trust distribution/change in Company's interest	-	-	751	102
Other	511	248	511	248
	7,157	4,044	20,764	9,865
4.4 Employees expenses	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Leave provision	161	25	161	25
Offshore support staff	382	306	382	306
Salaries and wages	3,827	2,873	3,827	2,873
Superannuation	291	257	291	257
Other employee expenses	491	240	491	240
	5,152	3,701	5,152	3,701

The number of employees employed by the Company as at 31 December 2017 was 32 (2016: 28).

Notes to the Financial Statements

For the year ended 31 December 2017

4. Revenue and expenses (continued)

4.5 Other operating expenses	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Computer support and licensing	799	801	799	801
Consultancy fees	496	152	496	152
Offshore operational expenses	314	234	314	234
Operating lease rental expenses	412	398	412	398
Professional fees	758	885	735	847
Trust related expenses	2,191	1,749	676	580
Other operating expenses	1,462	631	1,388	599
	6,432	4,850	4,820	3,611

5. Income tax

The tax rate used in the reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Current income tax charge:				
Current income tax charge	-	-	-	-
Deferred tax:				
Relating to the origination and reversal of temporary differences	1,882	631	1,707	(285)
Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income	1,882	631	1,707	(285)

Notes to the Financial Statements

For the year ended 31 December 2017

5. Income tax (continued)

Statement of changes in equity

There have been no deferred income tax items charged or credited directly to equity.

The prima facie income tax credit on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Profit from operations	5,699	1,860	10,336	1,324
At Australia's statutory income tax rate of 30% (2016: 30%)	1,710	558	3,101	397
Non-assessable income for tax purposes	-	-	(1,784)	-
Non-deductible expenses for tax purposes	25	1	25	1
Adjustments in respect of current income tax of previous years	119	72	119	(683)
Others	28	-	246	-
	1,882	631	1,707	(285)

Deferred tax

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Reflected in the statement of financial position as follows:				
Deferred tax assets*	6,291	5,616	5,445	4,527
Deferred tax liabilities	(6,422)	(3,300)	(4,353)	(1,744)
Deferred tax (liabilities)/assets, net	(131)	2,316	1,092	2,783

Columbus has recognised its tax provisions based on expected outcomes. Management believe that future taxable profits will be available to utilise the temporary differences. The opinion has been based on forecasts of future taxable profits.

*Of which \$5.0m (2016: \$4.5m) relates to carried forward tax losses.

Notes to the Financial Statements

For the year ended 31 December 2017

6. Cash and cash equivalents				
	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Cash and cash at bank	11,686	8,357	1,193	503
Cash receivables from trust	-	-	10,490	7,756
Cash held by trustee (i)	90,822	30,675	-	-
Cash held by trustee- collateral / reserves (i)	19,191	12,196	-	-
	121,699	51,228	11,683	8,259

(i) Cash held by trustee represents a resource available to support the note holders of the Trusts and is not available to the shareholders of the Group.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Cash flow reconciliation				
Reconciliation of net profit before tax to net cash flows from operations:				
Profit before tax	5,699	1,860	10,336	1,324
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortisation of non-financial assets	299	533	299	533
Other amortisation expenses	7,473	8,491	3,277	2,232
Impairment	1,486	13	-	-
Interest received from investing activities	-	-	(141)	(201)
Unrealised revaluation of swaps	101	(10)	-	(18)
Interest paid from financing activities	715	-	715	-
Other non-cash movements	(2,911)	-	(3,989)	-
Unrealised gain on investments	(311)	-	(311)	-
Gain on investment of mortgage assets	(629)	-	-	-
Changes in assets and liabilities:				
Decrease in trade and other receivables	757	1,459	3,373	507
Increase in trade and other payables	2,784	239	609	393
Increase in employee benefit liabilities	162	37	162	37
Decrease in borrowings and other financial liabilities	(3,382)	(3,002)	(9,932)	(7,337)
Increase in deferred tax assets/liabilities	3,122	-	2,609	-
Net cash flows from/(used in) operating activities	15,365	9,620	7,007	(2,530)

Financing facilities

Columbus Capital Pty Limited and its controlled entities have no overdraft facilities.

The Group expects to meet its obligations from operating cash flows and the proceeds of maturing financial assets.

Notes to the Financial Statements

For the year ended 31 December 2017

7. Mortgage assets				
	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Residential mortgages*	2,779,212	1,843,151	367	779
Allowance for impairment losses	(2,981)	(2,232)	-	-
	2,776,231	1,840,919	367	779

*Includes revenue and expense reflected using the effective interest method.

A reconciliation of the allowance for impairment losses for loans and advances, by class are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Residential mortgages				
Balance at the beginning of the year	2,232	4,806	-	-
Increase/(utilisation) of allowance	749	(2,574)	-	-
Balance at the end of the year	2,981	2,232	-	-
Individually assessed impairment	1,548	1,832	-	-
Collective impairment	1,433	400	-	-
	2,981	2,232	-	-

8. Other financial assets				
	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Bond/notes	1,545	352	15,094	14,618
Distribution receivable*	-	-	3,343	-
Financial assets at fair value through profit or loss	131	183	131	183
Future trail commission receivable from trusts	-	-	44,165	38,951
Mortgage manager loans	291	437	291	437
Deferred expenses	732	817	675	637
Upfront commission receivables from trusts	-	-	8,834	3,874
	2,699	1,789	72,533	58,700

*Includes trust reserves receivable by the Company.

Notes to the Financial Statements

For the year ended 31 December 2017

9. Borrowings				
	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Current				
Bond holders	2,830,044	1,836,141	-	-
Other third party loans	6,657	9,324	6,657	9,324
	2,836,701	1,845,465	6,657	9,324

Reconciliation of the carrying amounts of borrowings is set out below:

	Group	
	2017 \$000	2016 \$000
Triton Trust No. 2- Collossus Series 2012-2	596,778	553,426
Triton Trust No. 2- Triton 2013-1	139,279	173,324
Triton Trust No. 2- Triton 2014-P	62,056	78,172
Triton Trust No. 2- Triton 2014-1	208,941	260,124
Triton Trust No. 5	10,566	13,978
Triton Trust No. 6	9,735	-
Triton Trust No. 7- CS Warehouse Series No. 1	-	89,805
Triton Trust No. 7- Bond Series 2015-1	256,154	304,435
Triton Trust No. 7- Bond Series 2016-1	237,184	304,141
Triton Trust No. 7- Bond Series 2017-1	432,004	-
Triton Trust No. 7- Bond Series 2017-2	488,509	-
Vermilion Trust No. 1- CS Warehouse Series 2017	186,801	-
Poros Trust	3,715	-
Bond payments- Accrued interest	3,475	2,331
Deferred expenses	(8,475)	(5,822)
Warehouse drawdowns	203,322	62,227
	2,830,044	1,836,141
Other third party loans	6,657	9,324
	2,836,701	1,845,465

10 Other financial liabilities				
	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Future trail commission liability	35,944	32,448	35,944	32,448
Payable to trusts	-	59	12,537	12,266
Other funding/mortgage related transactions	2,466	1,960	1,603	894
	38,410	34,467	50,084	45,608

Notes to the Financial Statements

For the year ended 31 December 2017

11. Issued capital				
	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
22,000,000 partly paid ordinary shares (2016: 22,000,000)	-	-	-	-
17,500,000 fully paid "A" preference shares (2016: 17,500,000)	16,931	16,931	16,931	16,931
11,250,000 fully paid "B" preference shares (2016: 11,250,000)	5,250	5,250	5,250	5,250
	22,181	22,181	22,181	22,181

	Group			
	2017		2016	
	No. of shares	\$	No. of shares	\$
Ordinary shares	22,000,000	110	22,000,000	110
"A" preference shares at \$1.00 each	17,500,000	16,931,134	17,500,000	16,931,134
"B" preference shares at \$1.00 each	3,250,000	3,250,000	3,250,000	3,250,000
"B" preference shares at \$0.25 each	8,000,000	2,000,000	8,000,000	2,000,000
Total "B" preference shares	11,250,000	5,250,000	11,250,000	5,250,000

12. Derivatives

As at 31 December 2017, the Group held 13 (2016: 16) interest rate swaps that form part of cashflow hedge relationships or economically hedges the Group's interest rate risk.

The total notional amount of these swaps was \$231.3m (2016: \$122.9m), with varying maturity dates up until May 2021.

	Group		Company	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Cashflow hedge reserve (pre-tax)	83	1,928	-	-
Ineffective hedge to the statement of profit or loss and other comprehensive income	238	199	-	-
Net derivative liabilities designated into hedge relationships	321	2,127	-	-
Net derivative liabilities not designated into hedge relationships*	21	125	-	-
Total net derivative liabilities	342	2,252	-	-

* These swaps are part of economic hedge relationships.

Notes to the Financial Statements

For the year ended 31 December 2017

13. Maturity analysis assets and liabilities

The table below shows an analysis of financial assets and liabilities analysed to when they are on contractual maturity except mortgage assets (including trail commission disclosed within other assets/other liabilities at the Company level) and borrowings which are disclosed on an expected maturity basis and derivatives which are at fair value.

At 31 December 2017	Group			Company		
	Within 12 months \$000	After 12 months \$000	Total \$000	Within 12 months \$000	After 12 months \$000	Total \$000
Assets						
Cash and cash equivalents	121,699	-	121,699	11,683	-	11,683
Trade and other receivables	1,612	-	1,612	2,798	-	2,798
Mortgage assets	527,484	2,248,747	2,776,231	70	297	367
Other financial assets	2,699	-	2,699	12,994	59,539	72,533
Derivatives	48	-	48	-	-	-
Total assets	653,542	2,248,747	2,902,289	27,545	59,836	87,381
Liabilities						
Trade and other payables	7,254	-	7,254	7,486	-	7,486
Borrowings	1,548,462	1,288,239	2,836,701	3,879	2,778	6,657
Derivatives	390	-	390	-	-	-
Employee benefit liabilities	476	-	476	476	-	476
Other financial liabilities	9,295	29,115	38,410	20,969	29,115	50,084
Total liabilities	1,565,877	1,317,354	2,883,231	32,810	31,893	64,703
Net assets/(liabilities)	(912,335)	931,393	19,058	(5,265)	27,943	22,678

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

The Trusts are reliant on external funding in order to carry out their activities. The funding is secured against the assets of the Trusts. The Group's maturing funding line have been extended since the year end. Two of them into 2019, with the other facility taken to its renewal date in September 2018. The directors do not believe that any technical tenures for its warehouse funding lines will affect the ability of the Group to operate as a going concern. Refer to Note 20 (h) for the debt maturity profile.

Notes to the Financial Statements

For the year ended 31 December 2017

13. Maturity analysis assets and liabilities (continued)

At 31 December 2016	Group			Company		
	Within 12 months \$000	After 12 months \$000	Total \$000	Within 12 months \$000	After 12 months \$000	Total \$000
Assets						
Cash and cash equivalents	51,228	-	51,228	8,259	-	8,259
Trade and other receivables	3,673	-	3,673	3,830	-	3,830
Mortgage assets	373,321	1,467,598	1,840,919	-	-	-
Other financial assets	340	1,449	1,789	11,742	47,737	59,479
Total assets	428,562	1,469,047	1,897,609	23,831	47,737	71,568
Liabilities						
Trade and other payables	4,051	-	4,051	4,252	-	4,252
Borrowings	350,638	1,494,827	1,845,465	3,249	6,075	9,324
Derivatives	2,252	-	2,252	-	-	-
Employee benefit liabilities	239	75	314	239	75	314
Other financial liabilities	8,185	26,282	34,467	8,666	36,942	45,608
Total liabilities	365,365	1,521,184	1,886,549	16,406	43,092	59,498
Net assets/(liabilities)	63,197	(52,137)	11,060	7,425	4,645	12,070

14. Key management personnel compensation

The key management personnel are employed under a management service agreement negotiated with the Board. The aggregate compensation made to key management personnel of the Company and the Group is set out below.

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Short-term employee benefits	696	597	696	597
Long-term employee benefits	130	88	130	88
Total compensation paid to key management personnel	826	685	826	685

Notes to the Financial Statements

For the year ended 31 December 2017

15. Auditors' remuneration				
	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>				
Audit of the current year financial report	414	295	414	295
Other non-audit services				
Tax (including GST)	61	90	61	90
Compilation services	22	10	22	10
	497	395	497	395

The auditor of Columbus Capital Pty Limited and its controlled entities is Ernst & Young (Australia).

16. Commitments and contingencies				
Operating lease commitments				
The Group has entered into commercial leases on premises and equipment. The lease commitments are shown below:				
	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Within 1 year	459	440	459	440
After 1 year but not more than 5 years	411	870	411	870
	870	1,310	870	1,310

The Group holds a term deposit of \$245,000, which is a guarantee as part of the rental agreement.

Other commitments

The Group is committed to an Insurance Premium Funding policy.

The commitments are shown below:

	Group		Company	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Within 1 year	215	126	215	126

Notes to the Financial Statements

For the year ended 31 December 2017

17. Related party disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of the company and the subsidiaries listed in the following table:

Name	Principal activity	Effective ownership interest	
		2017	2016
Nautilus Trust No. 1	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 2	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 3	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 5	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 6***	Mortgaged Backed Securities Trust	90%	-
Triton Trust No. 7	Mortgaged Backed Securities Trust	100%	100%
Vermilion Trust**	Mortgaged Backed Securities Trust	100%	-
Poros Trust**	Commission Backed Securities Trust	100%	-
ColCap Pty Limited*	Holding Company	100%	100%
Columbus Capital Funds Management Pty Limited	Funds Management	100%	100%
Columbus Capital Financial Pty Limited*	Investment	100%	100%
AVA U2 Pty Ltd*	Shelf Company	100%	100%
Origin Mortgage Management Services Pty Ltd*	Shelf Company	100%	100%
ColCap Investments Pty Ltd*	Shelf Company	100%	100%

* No activity during 2017.

** Trust established during 2017.

*** Trust acquired during 2017.

(b) Details of key management personnel

The directors of the Group during the year were:

Tunku Ya'acob Bin Tunku Abdullah

Non-Executive Director

Muhamad Umar Swift

Non-Executive Director

Andrew Mark Chepul

Executive Director

Ilias Pavlopoulos

Executive Director

Notes to the Financial Statements

For the year ended 31 December 2017

17. Related party disclosures (continued)

Columbus Capital Pty Limited board meetings	2017 Number of meetings	
	Held	Attended
Tunku Ya'acob Bin Tunku Abdullah	6	-
Muhamad Umar Swift	6	6
Andrew Mark Chepul	6	6
Ilias Pavlopoulos	6	6

The value of amounts owed to the Group by key management personnel and related parties is \$34,080.

18. Segment information

The Group operates solely in one industry segment, mortgage origination and administration, within Australia.

19. Events after the reporting period

There have been no significant events occurring after the reporting date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

20. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity.

The capital structure of the Group consists of debt, which includes the borrowings included at Note 9, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital in Note 11 and accumulated losses as disclosed in the statement of changes in equity.

The Group operates in Australia, primarily through special purpose vehicles (trusts) established to manage the borrowings and loans serviced and managed by the Company. The parent entity is subject to capital requirements imposed by funders of the group and Australian Securities Investment Commission in relation to its financial services license.

Operating cash flows are used to maintain and expand the Group's assets, as well as make the routine outflows for repayment of maturing debt. Cash flows are monitored on an ongoing basis with monthly director reviews.

Notes to the Financial Statements

For the year ended 31 December 2017

(b) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks.

The risks exposed to include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, operational risk and cash flow interest rate risk.

The Group seeks to minimise the effects of market and interest rate risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates and credit risk.

(c) Currency risk

The Group has no currency risk exposure.

(d) Interest rate risk management

The Group is exposed to interest rate risk as it lends funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

There has been no change in nature to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate sensitivity analysis

At reporting date, if interest rates on variable interest rate exposures had been 10 basis points higher or lower and all other variables were held constant, the Group's net profit before tax would increase by \$2,344,644 or decrease by \$2,344,644 respectively (2016: \$1,564,396). In the event of such a change, the Group would have the option of adjusting rates on the variable portion of its portfolio to recover or return part or all of the variation.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract.

Notes to the Financial Statements

For the year ended 31 December 2017

(d) Interest rate risk management (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Group	2017		2016	
	Notional price amount \$000	Fair value \$000	Notional price amount \$000	Fair value \$000
Fixed for floating	231,320	(342)	122,969	(2,252)
Totals	231,320	(342)	122,969	(2,252)

(e) Interest rate risk and maturity profile of financial instruments

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Re-pricing / contractual maturity dates

Group 2017	Variable/on demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total non-interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets							
Cash and cash equivalents	121,699	-	-	-	-	-	121,699
Trade and other receivables	-	-	-	-	-	1,612	1,612
Other financial assets	522	-	-	-	-	2,177	2,699
Derivatives	-	48	-	-	-	-	48
Mortgage receivables							
Fixed rate	-	14,271	54,624	81,100	-	-	149,995
Variable rate	2,626,236	-	-	-	-	-	2,626,236
	2,748,457	14,319	54,624	81,100	-	3,789	2,902,289

Notes to the Financial Statements

For the year ended 31 December 2017

(e) Interest rate risk and maturity profile of financial instruments (continued)

Re-pricing / contractual maturity dates (continued)

Group 2017	Variable/on demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total non-interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Liabilities							
Trade payables	-	-	-	-	-	7,254	7,254
Borrowings	2,836,701	-	-	-	-	-	2,836,701
Other financial liabilities	-	-	-	-	-	38,410	38,410
Derivatives	-	390	-	-	-	-	390
	2,836,701	390	-	-	-	45,664	2,882,755

Group 2016	Variable/on demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total non-interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets							
Cash and cash equivalents	51,228	-	-	-	-	-	51,228
Trade and other receivables	-	-	-	-	-	3,673	3,673
Other financial assets	352	-	-	-	-	1,437	1,789
Mortgage receivables							
Fixed Rate	-	6,611	33,937	82,421	-	-	122,969
Variable Rate	1,717,950	-	-	-	-	-	1,717,950
	1,769,530	6,611	33,937	82,421	-	5,110	1,897,609

Notes to the Financial Statements

For the year ended 31 December 2017

(e) Interest rate risk and maturity profile of financial instruments (continued)

Re-pricing / contractual maturity dates (continued)

Group 2016	Variable/on demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total non-interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Liabilities							
Trade payables	-	-	-	-	-	4,051	4,051
Borrowings	1,845,465	-	-	-	-	-	1,845,465
Other financial liabilities	-	-	-	-	-	34,467	34,467
Derivatives	-	2,252	-	-	-	-	2,252
	1,845,465	2,252	-	-	-	38,518	1,886,235

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk is monitored primarily through monitoring of the arrears position of each loan. Loans in arrears are effectively monitored and borrowers are contacted to pursue payment. Arrears reporting is prepared and reviewed on a daily basis. Monthly reports are provided to the mortgage insurer detailing the status on each of their insured accounts that are in arrears.

The Group restricts its exposure to default losses through prudent underwriting and a requirement for borrowers to take out mortgage insurance. The current book has 69% (2016: 81%) of loans mortgage insured.

In certain circumstances, where there is mortgage insurance in place, there is some exposure to the insurance provider directly, or the instance of open claims and indirectly in the event of potential borrower defaults.

The Australian economy has experienced changes. Despite recent economic improvements there remains heightened uncertainty in terms of underlying economic measures such as interest rates, property values and employment. This manifests in increased uncertainty in determining credit provisions and also around the currency of key factors in credit models. There have also been indications of increased challenge from mortgage insurers in respect of claims.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Notes to the Financial Statements

For the year ended 31 December 2017

(f) Credit risk management (continued)

Aging analysis of past due but not impaired loans

	2017		2016	
Group	\$000	%	\$000	%
Arrears band				
Current	2,530,971	96.23	1,675,306	95.34
Less than 30 days	82,485	3.14	65,837	3.75
31-90 days	9,787	0.37	8,667	0.49
More than 91 days	6,745	0.26	7,310	0.42
Total	2,629,988	100.00	1,757,120	100.00
Credit quality				
Neither past due nor impaired	2,530,971	96.23	1,675,306	95.34
Past due not impaired	97,469	3.71	79,982	4.55
Individually impaired	1,548	0.06	1,832	0.11
Total	2,629,988	100.00	1,757,120	100.00

Risk Concentrations

The Group's concentration of risk with respect to the mortgage portfolio is managed by borrower documentation type, origination source and by geographic region.

These risks are mitigated through diversity in geographical location and borrower documentation types.

Credit quality by class of financial assets

A majority of current loans are insured for loss with a Lenders Mortgage insurance policy to be taken out at the time of origination for the full value of all new loans or advances approved. For insured loans only in the event of a reduced or denied claim from the mortgage insurer will the remaining value be considered impaired and written off at the time of the finalisation of the mortgage insurance settlement process.

Carrying amount by class of financial assets whose terms have been renegotiated

Loan terms are renegotiated, as necessary, as part of the Group's credit management policy. The policy is reviewed on a regular basis by the risk committee.

(g) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values except for fixed rate loans when considered in isolation to their associated hedges. The Group's instruments held at fair value are all valued at Level 3 apart from cash and cash equivalents recognised at Level 1 and derivatives at Level 2.

There have been no transfers between levels in the period.

Notes to the Financial Statements

For the year ended 31 December 2017

(g) Fair value of financial instruments (continued)

Valuation technique

The interest rate swap valuation is the present value of the expected cash flows over the life of derivative contracts. The expected cash flows are the difference between the contractual fixed rate and market rate as at valuation date.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Group	\$000	\$000	\$000	\$000	\$000
2017					
Trade Payables	7,254	-	-	-	-
Borrowings	-	36,527	110,218	597,643	3,451,753
2016					
Trade Payables	4,051	-	-	-	-
Borrowings	-	23,863	72,817	395,249	2,136,046

The derivative contractual maturity values are based on the fair value of the interest rate swap. The valuation technique is outlined at point (g) above.

Liquidity risk and funding management

Approximately 40% of assets are funded via warehouse facilities, the remaining 60% is funded via term debt.

Directors' Declaration

In accordance with a resolution of the directors of Columbus Capital Pty Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and the Group for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and Group's financial positions as at 31 December 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulation 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Andrew Mark Chepul
Executive Director

17 April 2018



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Columbus Capital Pty Limited

Opinion

We have audited the financial report of Columbus Capital Pty Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 31 December 2017;
- the Group consolidated and Company statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2017 and of their financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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.

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

Information Other than the Financial Report and Auditor's Report Thereon

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

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

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



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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Ernst & Young logo is written in a cursive, handwritten style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'R. Balfour'.

Richard Balfour
Partner
Sydney

17 April 2018