SERIES 2012-1E REDS TRUST

ABN 39 170 096 981

2014 ANNUAL FINANCIAL REPORT

SERIES 2012-1E REDS TRUST
STATEMENT BY MANAGER
FOR THE YEAR ENDED 31 AUGUST 2014

In the opinion of the Manager:

(a) the financial report set out on pages 3 to 12 are drawn up so as to present fairly the result and cash flows for the year ended 31 August 2014, and the state of affairs at 31 August 2014 of the Series 2012-1E REDS Trust .

(b) the Trust has operated during the year ended 31 August 2014 in accordance with the provisions of the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012.

(c) at the date of this statement, there are reasonable grounds to believe that the Trust (stated above) will be able to pay its debts as and when they become due and payable.

Dated in Brisbane this 27th day of November 2014.

Signed on behalf of the Manager, B.Q.L. Management Pty Ltd,

Roger Davis
Chairman

SERIES 2012-1E REDS TRUST
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2014

The financial statements for the financial year ended 31 August 2014 have been prepared by the Trust Manager, B.Q.L Management Pty Ltd, as required by the Master Trust Deed dated 10 February 1998 (as amended).

The auditors of the Trust, KPMG, who have been appointed by us in accordance with the Master Trust Deed, have conducted an audit of these financial statements.

Based on our ongoing program of monitoring the Trust, we believe that:

(a) the Trust has been conducted in accordance with the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012.

(b) the Financial Report has been appropriately prepared and contains all relevant and required disclosures.

In making this statement, the Trustee has relied upon information, representations and warranties provided by the Manager.

We are not aware of any material matters or significant changes in the state of affairs of the Trust occurring up to the date of this report that require disclosure in the financial statements and the notes thereto that have not already been disclosed.

Signed for and on behalf of
Perpetual Trustee Company Limited

Nathan Gale
Senior Client Service Manager

Dated in Sydney this 27th day of November 2014.

SERIES 2012-1E REDS TRUST
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2014

	2014 $	22 November 2012 to 31 August 2013 $
Revenue		
Interest income	35,332,289	40,995,486
Other income	233,848	277,916
Total income	35,566,137	41,273,402
Expenses		
Interest paid to Class A1 Noteholders	19,290,287	22,163,860
Interest paid to Class A2S Noteholders	5,943,255	5,015,120
Interest paid to Class A2A Noteholders	1,979,444	1,667,758
Interest paid to Class AB Noteholders	2,484,509	2,044,405
Interest paid to Class B Noteholders	1,428,887	1,159,612
Interest paid to Class C Noteholders	395,904	317,416
Trustee and custodian fees	248,324	243,791
Liquidity facility interest and support fees	82,196	90,500
Management fees	619,329	608,394
Contracted servicing fees	1,548,991	1,517,917
Impairment on mortgage loans	-	968
Other expenses	170,965	145,772
Total expenses before distribution expense to unitholders	34,192,091	34,975,513
Profit from operating activities	1,374,046	6,297,889
Distribution expense and net assets attributable to unitholders	(1,374,046)	(6,297,889)
Changes in Net Assets attributable to unit holders / Total Comprehensive Income	-	-

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

SERIES 2012-1E REDS TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2014

As the Trust has no equity, the Trust has not included any items of changes in equity for the current or comparative period.

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

SERIES 2012-1E REDS TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2014

	Note	**2014** **$**	2013 $
Assets			
Cash and cash equivalents	8(a)	7,436,508	13,660,899
Receivables	3	27,630,742	23,913,685
Financial assets	4	662,600,350	844,391,052
Total Assets		697,667,600	881,965,636
Liabilities			
Payables	5	3,482,051	4,516,114
Interest bearing liabilities	6	694,185,539	877,449,512
Total Liabilities (excluding net assets attributable to unitholders)		697,667,590	881,965,626
Represented by:			
Net assets attributable to unitholders - Liability	7	10	10

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

SERIES 2012-1E REDS TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2014

	Note	**2014** **$**	2013 $
Cash flows from operating activities			
Interest and fees received		35,588,123	39,896,006
Interest and fees paid		(34,189,372)	(34,500,838)
Payments to noteholders		(187,142,407)	(146,260,878)
Principal repayment of mortgage loans		181,630,567	157,426,478
Net cash from operating activities	8(b)	(4,113,089)	16,560,768
Cash flows from investing activities			
Payment for mortgage loans		-	1,003,120,199
Net cash used in financing activities		-	1,003,120,199
Cash flows from financing activities			
Proceeds from issue of notes		-	(1,003,120,199)
Liquidity Facility		-	250,000
Proceeds from issue of Units		-	10
Distribution paid to income unit holder		(2,111,302)	(3,149,879)
Net cash used in financing activities		(2,111,302)	(1,006,020,068)
Net increase in cash held		(6,224,391)	13,660,899
Cash and cash equivalents at the beginning of the financial year		13,660,899	-
Cash and cash equivalents at the end of the financial year	8(a)	7,436,508	13,660,899

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

1. Significant accounting policies

The financial report was authorised for issue by the Manager on 27th November 2014.

The registered office of the Manager, B.Q.L Management Pty Ltd, is Level 17, BOQ Centre, 259 Queen Street, Brisbane, Queensland, 4000.

The significant policies which have been adopted in the preparation of these financial reports are set out below:

(a) Statement of compliance

In the opinion of the Manager, the Trust is not a reporting entity. The financial report of the Trust has been drawn up as special purpose financial report for distribution to the investors.

The special purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASB's') adopted by the Australian Accounting Standards Board ('AASB'), subject to the exceptions noted below, and the requirements of the Master Trust Deed dated 10 February 1998 (as amended).

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB101	Presentation of financial statements
AASB107	Statement of cash flows
AASB108	Accounting policies, Changes in Accounting Estimates and Errors
AASB1031	Materiality
AASB1048	Interpretation and Application Standards
AASB1054	Australian Additional Disclosures

The financial report does not include all the disclosure or measurement requirements of AASB 139 *Financial Instruments: Recognition and Measurement* (refer to note 1 (b)).

(b) Basis of preparation

The Series 2012-1E REDS Trust was established by the Master Trust Deed dated 10 February 1998 (as amended) between the Manager (B.Q.L. Management Pty Ltd) and the Trustee (Perpetual Trustee Company Limited) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012 between the Seller and Servicer (Bank of Queensland Limited – "the Bank"), the Manager (B.Q.L. Management Pty Ltd) and the Trustee (Perpetual Trustee Company Limited).

The Trust was established with the purpose of carrying on a business to provide funds for the purchase of investments being mortgage loans. The Trust funded the purchase of mortgage loans through the issue of Class A1, Class A2, Class AB, Class B and Class C notes which represent debt of the Trust.

The financial report has been presented in Australian dollars and prepared on the historical cost basis.

As noted above all the requirements of AASB 139 have not been adopted in the preparation of these financial statements. The major impact of fully adopting AASB 139 would have been that the Trust would have recognised a financial asset due from the Bank, representing a secured loan rather than the underlying securitised mortgages. The interest receivable on the financial asset would have represented the return on an imputed loan between the Bank and the Trust, being the interest income under the mortgages, net of the fees payable to the Bank by the Trust and the net interest income/expense recognised under derivative contracts such as interest rate swaps. Derivative financial instruments have not been recognised in these financial statements except to the extent set out in note 1(e).

The preparation of a financial report in conformity with AASB's requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 effects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual years beginning on or after 1 July 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Trust.

The financial report for the Trust has been prepared on a going concern basis as the carrying value of the assets and liabilities as at 31 August 2014 represent the amounts that will be received and paid prior to the termination of the Trust. It is also considered that there are no future liabilities that would arise upon termination of the Trust which would result in the Trust not being able to pay its debts as and when they fall due.

(c) Mortgage Loans

The mortgage loans are recognised at fair value at acquisition date plus transaction costs that are directly attributable to the loans. Mortgage loans are subsequently measured at amortised cost using the effective interest method less any impairment loss (refer to note 1 (d)). Mortgage loans are mortgage insured loans secured by first registered mortgages over residential properties.

Past-due loans
Past-due loans are loans which are over 90 days in arrears. Interest on these loans continues to be taken to income. Days in arrears are calculated for each loan in accordance with Clause 1.1 of the Series Supplement as follows:

$$\frac{\text{Principal balance of loan less Scheduled balance of loan}}{\text{Monthly principal and interest repayment due}} \times 30$$

(d) Impairment

The carrying value of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment of mortgage loans

Impairment of a mortgage loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the mortgage loan agreement.

1. Significant accounting policies (continued)

(d) Impairment (continued)

The Trust uses the following method for calculating impairment:

(i) Specific impairment provisions

Impairment losses on individually assessed mortgage loans are determined on a case-by-case basis. If there is objective evidence that an individual mortgage loan is impaired then a specific provision for impairment is raised. The amount of the specific provision is based on the carrying amount of the mortgage loan, including the security held against the mortgage loan and the present value of expected future cash flows including amounts expected to be received from mortgage insurance. Any subsequent write-offs are then made against the specific provision for impairment.

(ii) Collective impairment provision

Where no evidence of impairment has been identified for mortgage loans, these mortgage loans are grouped together on the basis of similar credit characteristics for the purpose of calculating a collective impairment loss. Collective impairment provisions are based on historical loss experience adjusted for current observable data and mortgage insurance. The amount required to bring the collective provision for impairment to its required level is charged to the statement of comprehensive income.

A collective provision has not been recognised on the basis that all loans are mortgage insured.

Bad debts are written off when identified and are recognised as expenses in the statement of comprehensive income.

(e) Derivatives financial instruments

The Trust is exposed to changes in interest rates from their activities. The Trust uses interest rate swaps as a derivative financial instrument to hedge these risks. Derivative financial instruments are not held for speculative purposes.

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the income statement as an adjustment to interest income during the period.

(f) Taxation

Under current legislation the Trust is not subject to income tax as the taxable income, including the assessable realised capital gains, is distributed in full to the unitholder. The Trust fully distributes its distributable income, calculated in accordance with the Master Trust Deed (as amended) and Series Supplements and applicable taxation legislation, to the unitholders who are presently entitled to the income.

(g) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash at the Manager's option and are subject to insignificant risk of changes in value.

(h) Income and expenses

Income and expenses are brought to account on an accruals basis.

The Manager and Trustee are entitled under the Master Trust Deed (as amended), to be reimbursed for certain expenses incurred in administering the Trust. The basis on which the expenses are reimbursed is defined in each of the Series Supplement. The amount reimbursed is disclosed in the statement of comprehensive income and was calculated in accordance with the Series Supplement.

1. Significant accounting policies (continued)

(i) Revenue recognition

Interest revenue

Interest income is recognised using effective interest rate on the financial asset. The effective interest rate is the rate that discounts estimated future receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Trust that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include mortgage loan acquisition costs such as commissions paid to intermediaries.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairments.

(j) Receivables

Receivables are carried at their cost less impairment losses. Refer to note 1(d).

(k) Payables

Liabilities are recognised for amounts to be paid in the future for services received. Accounts payable are non-interest bearing, stated at amortised cost and are normally settled within 30 days.

(l) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest rate method.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(n) Clean up Provisions per Trust Deed Supplement

The Manager may direct the Bank to repurchase or transfer the remaining mortgage loans to another REDS Series Trust where:

(i) The aggregate principal outstanding on the receivables on the last day of any Monthly Period, when expressed as a percentage of the total principal outstanding at the commencement of the Trust is below the clean up percentage of 10%; or

(ii) The tenth anniversary of the Closing Date of the Trust occurs, provided the Australian Prudential Regulatory Authority ("APRA") has advised that it will permit the Bank to exercise its rights to repurchase the remaining receivables.

	2014 **$**	22 November 2012 to 31 August 2013 $
2. Auditors remuneration		
Audit services: Auditor of the Trust – KPMG Australia	8,120	7,918

	2014 $	22 November 2012 to 31 August 2013 $
3. Receivables		
Interest receivable from mortgagors	1,447,716	1,817,909
Interest collections receivable from servicer	238,565	135,415
Principal collections receivable from servicer	1,462,804	1,302,669
Cross currency swap receivable	24,468,625	20,590,191
GST recoverable	13,032	67,501
	27,630,742	23,913,685
4. Financial assets		
Mortgage loans	662,600,350	844,391,052
5. Payables		
Distribution payable to income unitholder	2,410,764	3,148,020
Servicing fee payable	63,944	81,812
Custodian fee payable	3,860	4,939
Interest payable to noteholders	379,119	402,586
Swap interest payable	330,871	575,928
Liquidity facility cash advance	250,000	250,000
Other	43,493	52,829
	3,482,051	4,516,114
6. Interest bearing liabilities		
Class A1 notes	396,596,715	583,739,122
Class A2S notes	177,373,824	173,495,390
Class A2A notes	50,000,000	50,000,000
Class AB notes	45,100,000	45,100,000
Class B notes	20,100,000	20,100,000
Class C notes	5,015,000	5,015,000
	694,185,539	877,449,512

A floating charge exists over all the assets of the Trust securing the amounts owing to each Noteholder and any other secured creditor.

7. Net assets attributable to unit holders		
Opening balance	10	10
Profit from operating activities	1,374,046	6,297,889
Distribution expense	(1,374,046)	(6,297,889)
Closing balance	10	10

8. Notes to statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2014 $	2013 $
Cash and cash equivalents	7,436,508	13,660,899

(b) Reconciliation of net operating income to net cash from operating activities

Profit from operating activities	1,374,046	6,297,889
Change in operating assets and liabilities during the financial year:		
Decrease/(Increase) in receivables	(3,717,057)	(23,913,685)
Decrease in financial assets	181,790,702	(844,391,052)
(Decrease)/increase in payables	(296,807)	1,118,104
Decrease in interest bearing liabilities	(183,263,973)	877,449,512
Net cash from operating activities	(4,113,089)	16,560,768

9. Segment reporting

The Trust operates in the mortgage securitisation industry in Australia.

10. Contingencies and commitments

The Trust has no material contingent liabilities or commitments as at 31 August 2014.

11. Subsequent events

Since 31 August 2014, no matters or circumstances have arisen up to the date of this report which significantly affects the operation of the Trust, the results of those operations, or the state of affairs of the Trust in subsequent years

Independent audit report to the investors of the Series 2012-1E REDS Trust

We have audited the accompanying financial report, being a special purpose financial report, of the Series 2012-1E REDS Trust (the Trust), which comprises the statement of financial position as at 31 August 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information.

Managers' responsibility for the financial report

B.Q.L. Management Pty Ltd (the Manager) is responsible for the preparation of the financial report and has determined that the basis of preparation described in Notes 1(a) and 1(b) to the financial report is appropriate to meet the requirements of the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012 and is appropriate to meet the needs of the investors. The Manager's responsibility also includes such internal control as the Manager determines necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1(a) and 1(b) to the financial statements, the requirements of the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012, so as to present a view which is consistent with our understanding of the Trust's financial position, and of its performance and cash flows.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Series 2012-1E REDS Trust as of 31 August 2014 and of its financial performance and cash flows for the year then ended in accordance with the accounting policies described in Notes 1(a) and 1(b) to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Notes 1(a) and 1(b) to the financial report, which describe the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Manager's financial reporting obligations under the Master Trust Deed dated 10 February 1998 (as amended) and the Series 2012-1E REDS Trust Series Supplement dated 20 November 2012. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Martin McGrath
Partner

Brisbane
27 November 2014