

Balmain (MMT) Mortgage Trust
ARSN 107 891 967

Interim Financial Report
Half-year ended 31 December 2015

Balmain (MMT) Mortgage Trust
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Contents

Directors' report	3
Auditor's independence declaration	7
Statement of profit or loss and other comprehensive income	8
Statement of changes in equity	8
Statement of financial position	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	14
Independent review report	15

Balmain (MMT) Mortgage Trust

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Directors' report

The directors of Balmain Fund Administration Limited (the "Responsible Entity"), the responsible entity of the Balmain (MMT) Mortgage Trust (the "Trust") present their report together with the interim financial report of the Trust, for the half-year ended 31 December 2015.

Balmain (MMT) Mortgage Trust became a registered scheme under the Corporations Act 2001 on 16 February 2004. Balmain Fund Administration Limited became the responsible entity on 22 May 2009.

Responsible Entity

The registered office and principal place of business of the Responsible Entity and the Trust is Level 14, 60 Castlereagh Street, Sydney NSW 2000.

The directors of Balmain Fund Administration Limited at any time during or since the end of the financial period are:

Name and qualifications	Experience and special responsibilities
Michael Holm Director	Mr. Michael Holm is the founder of Balmain NB Corporation Limited (Balmain Corporation). Starting the business in 1979, Michael has helped Balmain Corporation to grow from a one man start up to the largest commercial loan origination and loan servicer in Australia. Michael also serves as Chairman and as a Director in Balmain Corporation's fund management, capital markets and loan servicing businesses. Michael has over 30 years' experience in commercial property financing.
Andrew Griffin Director	Mr. Andrew Griffin commenced his career in property development in 1987 when he joined the Trafalgar Property Group holding a number of positions, and was appointed Managing Director in 1992. Andrew commenced trading as Principal of the Griffin Property Group in 1997, and successfully undertook a number of landmark developments in the Sydney region. Andrew joined the Balmain Group as Chief Executive Officer in 2004 establishing a number of strategic investments, and has continued to be involved in both the property and finance markets for over 20 years at the highest level.
John Robles Director	Mr John Robles has over 14 years' experience in property and finance and is the Head of Finance for Balmain Corporation. Prior to joining Balmain in October 2008, John was an auditor for more than eight years at KPMG in Sydney and PWC in London. John manages statutory reporting, management accounting, fund accounting and taxation of the Group. John has a Bachelor of Commerce from Sydney University and is a member of the Institute of Chartered Accountants in Australia.

Balmain (MMT) Mortgage Trust

ARSN 107 891 967

Directors' report (continued)

Principal activities

The Trust invests primarily in a portfolio of registered first mortgages over a diversified selection of properties in Australian capital cities and regional centres.

The Trust may undertake this directly or via a sub trust structure designed to provide additional liquidity options with no changes to risks.

The Trust did not have any employees during the period and is domiciled in Australia. There have been no significant changes in the activities of the Trust during the period.

Review and results of operations

The Trust's investment strategy is to invest primarily in a diversified portfolio of loans along the east coast of Australia, secured by registered first mortgages with some exposure to short dated securities (predominantly 11 am cash investments, short term deposits) with the purpose of holding sufficient liquidity to meet the Trust's continuing obligations and redemptions.

Funds under management in the Trust as at 31 December 2015 was \$9,952,186 (30 June 2015: \$13,462,868).

The Trust's net profit before finance costs for the period ended 31 December 2015 was \$2,071,778 (31 December 2014: \$175,678).

Basis of preparation of the accounts – Realisation

The financial report for the half-year ended 31 December 2015 is prepared on a realisation basis. The Directors of the Responsible Entity consider the Trust is not a going concern as the Responsible Entity intends (but as yet has not determined) to commence the wind up of the Trust. The wind up is expected to commence following the resolution of the repayment/refinance of all presently outstanding loans.

Distributions

Distributions paid or payable by the Trust in respect of the financial period were:

	31 Dec 2015		31 Dec 2014	
	\$	Cents/unit	\$	Cents/unit
Interim distribution paid	55,914	0.56	152,929	0.54
Interim distribution payable*	2,015,864	20.26	22,749	0.09
	2,071,778	20.82	175,678	0.63

*The 31 December distribution was paid on 12 January 2016 (2014: 14 January 2015).

Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Directors' report (continued)

Performance

Returns from the Trust for the half-year ended 31 December 2015, assuming monthly reinvestments, averaged 40.50% (2014: 0.91%) p.a. for retail investments and 41.00% (2014: 1.41%) p.a. for wholesale investments.

The Trust has net assets of \$9,952,186 as at 31 December 2015 (30 June 2015: \$13,462,868).

The following table shows the effective returns of the Trust for operations for the period ended 31 December 2015, using rolling monthly nominal rates, assuming monthly reinvestment of distributions and taking into account all management fees but excluding entry and exit fees. Nominal rates are the actual income earned by the Trust assuming there is no reinvestment of income distributions. Effective rates assume the reinvestment of income distributions (therefore returns reflect the compounding effect of reinvestment of income) and that interest rates remain constant. Calculations are in accordance with FSC Standard No 6.00 Product Performance – Calculation and Presentation of Returns.

The directors assess the performance of the Trust by comparing the Trust's total return with short term investments such as cash management trusts. Calculation of performance is after all management fees, excluding exit fees, have been deducted and assumes that all distributions are reinvested during the year. The comparison for the half-years ended 31 December is shown below:

	2015	2014
Balmain (MMT) Mortgage Trust		
Retail – nominal	40.50%	0.91%
Retail – effective	130.43%	0.91%
Wholesale - nominal	41.00%	1.41%
Wholesale - effective	131.46%	1.41%

Future performance is not guaranteed, investors should exercise care in using past performance as a predictor of future performance.

Events subsequent to reporting date

A special redemption of \$2,700,000 was paid in January 2016. This was in addition to the September 2015 compulsory redemption of \$3,500,000.

No other matters have arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Responsible Entity, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial periods.

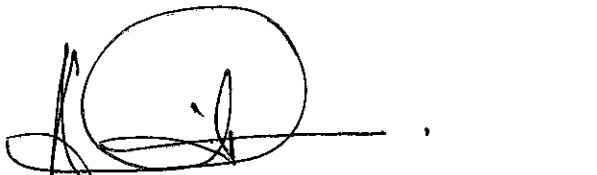
Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Directors' report (continued)

Auditor's independence declaration

The auditor's independence declaration as required by section 307C of the Corporation Act 2001 is set out on page 7 and forms part of the directors' report for the period ended 31 December 2015.

Dated at Sydney this 11th day of March 2016.

Signed in accordance with a resolution of the Directors of Balmain Fund Administration Limited:

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a circular flourish and a horizontal line extending to the right.

Andrew Griffin
Director

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**Auditor's Independence Declaration
To The Directors of Balmain Fund Administration Limited, the Responsible
Entity of Balmain (MMT) Mortgage Trust**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Balmain (MMT) Mortgage Trust for the half-year ended 31 December 2015, I declare that, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A. Sheridan
Partner - Audit & Assurance

Sydney, 11 March 2016

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Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Notes	31 Dec 2015 \$	31 Dec 2014 \$
Income			
Interest income		2,144,794	247,977
Other income		4,772	208,322
Total operating income		<u>2,149,566</u>	<u>456,299</u>
Operating expenses			
Responsible Entity fees		(57,784)	(231,944)
Impairment losses		(17,850)	(45,964)
Other expenses		(2,154)	(2,713)
Total expenses before finance costs		<u>(77,788)</u>	<u>(280,621)</u>
Operating profit for the period before finance costs		<u>2,071,778</u>	<u>175,678</u>
Finance costs attributable to unitholders			
Distributions to unitholders	6	(2,071,778)	(175,678)
Total finance costs		<u>(2,071,778)</u>	<u>(175,678)</u>
Change in net assets attributable to unit holders		<u>-</u>	<u>-</u>
Profit/(loss) for the period		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>-</u>	<u>-</u>

Interim statement of changes in equity

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

The condensed notes on pages 11 to 13 are an integral part of these interim financial statements.

Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Statement of financial position
As at 31 December 2015

	Notes	31 Dec 2015 \$	30 Jun 2015 \$
Current assets			
Cash and cash equivalents	5	10,549,614	6,858,056
Trade and other receivables		40,158	934,911
Mortgage loans	8	1,504,662	6,302,275
Total current assets		<u>12,094,434</u>	<u>14,095,242</u>
Total assets		<u>12,094,434</u>	<u>14,095,242</u>
Current liabilities			
Payables		126,384	93,640
Distribution payable	6	2,015,864	538,734
Total current liabilities		<u>2,142,248</u>	<u>632,374</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>2,142,248</u>	<u>13,462,868</u>
Net assets attributable to unitholders – liability	7	<u>9,952,186</u>	<u>13,462,868</u>

The condensed notes on pages 11 to 13 are an integral part of these interim financial statements.

Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Statement of cash flows
For the half-year ended 31 December 2014

	Notes	31 Dec 2015 \$	31 Dec 2014 \$
Cash flows from operating activities			
Interest received		2,395,419	210,593
Responsible Entity and related parties' fees paid		(70,230)	(241,580)
Proceeds/(payments for settlement) from discharge of mortgage loans		4,779,763	(825,123)
Other		43,036	325,518
Net cash inflows/(outflows) from operating activities		<u>7,147,988</u>	<u>(530,592)</u>
Cash flows from investing activities			
Loans		648,900	8,528,812
Net cash inflows from investing activities		<u>648,900</u>	<u>8,528,812</u>
Cash flows from financing activities			
Redemptions paid		(3,510,682)	(7,036,163)
Distributions paid		(594,648)	(198,465)
Net cash outflows from financing activities		<u>(4,105,330)</u>	<u>(7,234,628)</u>
Net increase in cash and cash equivalents		3,691,558	763,592
Cash and cash equivalents at the beginning of the financial year		6,858,056	7,922,662
Cash and cash equivalents at the end of the period	5	<u>10,549,614</u>	<u>8,686,254</u>

The condensed notes on pages 11 to 13 are an integral part of these interim financial statements.

Balmain (MMT) Mortgage Trust

ARSN 107 891 967

Notes to the financial statements

1 Reporting entity

Balmain (MMT) Mortgage Trust (the "Trust") is a registered managed investment scheme under the Corporations Act 2001. The interim financial report of the Trust is for the six months ended 31 December 2015.

2 Basis of preparation of half-year report

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report. The interim financial report has been prepared in accordance with the accounting standards adopted in the Trust's last annual financial statements for the year ended 30 June 2015.

These financial statements were authorised for issue by the board of directors on 11 March 2016.

The financial report for the half-year ended 31 December 2015 is prepared on a realisation basis. The Directors of the Responsible Entity consider the Trust is not a going concern as the Responsible Entity intends (but as yet has not determined) to commence the wind up of the Trust. The wind up is expected to commence following the resolution of the repayment/refinance of all presently outstanding loans.

The basis of measurement for the Trust's assets and liabilities does not include anticipated or future wind up costs of the Trust.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

3 Significant accounting policies

The accounting policies applied by the Trust in this interim financial report are the same as those applied by the Trust for the year ended 30 June 2015.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2015.

Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Notes to the financial statements

5 Cash and cash equivalents

	31 Dec 2015	30 Jun 2015
	\$	\$
Cash at bank	10,549,614	6,858,056
	<u>10,549,614</u>	<u>6,858,056</u>

6 Distributions

	31 Dec 2015		31 Dec 2014	
	\$	Cents/unit	\$	Cents/unit
The distributions were paid/payable as follows:				
July interim distribution paid	16,271	0.16	44,773	0.15
August interim distribution paid	10,160	0.10	39,851	0.14
September interim distribution paid	9,914	0.10	31,890	0.11
October interim distribution paid	9,737	0.10	22,977	0.09
November interim distribution paid	9,832	0.10	13,438	0.05
December interim distribution payable*	2,015,864	20.26	22,749	0.09
	<u>2,071,778</u>	<u>20.82</u>	<u>175,678</u>	<u>0.63</u>

* The 31 December 2015 distribution was paid on 12 January 2016 (2014: 14 January 2015).

7 Net assets attributable to unitholders

The Trust considers its capital to be unitholders' Funds. The Trust manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Trust is to provide unitholders with returns in accordance with the PDS. The Trust aims to deliver this objective mainly through investing in mortgage loans.

The Trust strives to invest in products that meet the Trust's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

	31 Dec 2015		30 Jun 2015	
	No. of units	\$	No. of units	\$
Opening balance	13,462,868	13,462,868	32,522,238	32,522,238
Applications	-	-	-	-
Redemptions	(3,510,682)	(3,510,682)	(19,059,370)	(19,059,370)
Closing balance	<u>9,952,186</u>	<u>9,952,186</u>	<u>13,462,868</u>	<u>13,462,868</u>

Balmain (MMT) Mortgage Trust
ARSN 107 891 967
Notes to the financial statements

8 Mortgage loans

	31 December 2015	30 June 2015
	\$	\$
Current mortgage loans	1,504,662	7,223,720
Impairment allowance for mortgage loans	-	(921,445)
	<u>1,504,662</u>	<u>6,302,275</u>

The aging of the Trust's mortgage loans at the reporting date was:

	31 Dec 2015		30 Jun 2015	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not past due	-	-	-	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	-	-	-	-
Past due more than 90 days	1,504,662	-	7,223,720	(921,445)
	<u>1,504,662</u>	<u>-</u>	<u>7,223,720</u>	<u>(921,445)</u>

9 Financial risk management

The trusts activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk) credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the trust's annual financial statements as at 30 June 2015.

There have been no changes in the risk management department since year end or in any risk management policies.

10 Contingencies

There are no contingent liabilities or contingent assets as at 31 December 2015. (31 December 2014: Nil)

11 Events subsequent to the reporting date

A special redemption of \$2,700,000 was paid in January 2016, this was in addition to the September 2015 compulsory redemption of \$3,500,000.

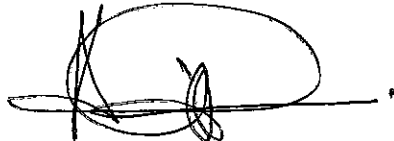
Balmain (MMT) Mortgage Trust Director's Declaration

In the opinion of the directors of Balmain Fund Administration Limited, the responsible entity of Balmain (MMT) Mortgage Trust (the "Trust"):

- (a) the financial statements and notes, set out on pages 8 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Trust as at 31 December 2015 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporation Regulations 2001; and
- (b) The financial report for the half-year ended 31 December 2015 is prepared on a realisation basis. The Directors of the Responsible Entity consider the Trust is not a going concern as the Responsible Entity intends (but as yet has not determined) to commence the wind up of the Trust. The wind up is expected to commence following the resolution of the repayment/refinance of all presently outstanding loans. Notwithstanding this, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 11th day of March 2016.

Signed in accordance with a resolution of the Directors of Balmain Fund Administration Limited:



Andrew Griffin
Director

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Independent Auditor's Review Report To the Unitholders of Balmain (MMT) Mortgage Trust

We have reviewed the accompanying half-year financial report of Balmain (MMT) Mortgage Trust ("the Trust"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the Trust.

Directors' responsibility for the half-year financial report

The directors of Balmain Fund Administration Limited, the Responsible Entity, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Trust's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Balmain (MMT) Mortgage Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Balmain (MMT) Mortgage Trust is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter – Realisation basis of accounting

Without modifying our conclusion, we draw attention to the Basis of Preparation (realisation basis) in the notes to the financial report, which indicates that the directors of the Responsible Entity intend to commence the wind up of the Trust following repayment/refinance of all presently outstanding loans. Accordingly, the financial report has been prepared on a realisation basis.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A Sheridan
Partner - Audit & Assurance

Sydney, 11 March 2016