

The CKM Mortgage Trust

Report by Directors of the Trustee Company

The directors of CKM (Mortgages) Limited present the financial report of The CKM Mortgage Trust for the half-year ended 30 September 2011.

Directors

The names of the directors in office at the date of this report are:-

Kenneth John Millar
Vincent James Collins
Gary John Hayward

Each of the directors has been a director for the full period of six months.

Review of operations

During the period of six months the number of units issued by the trust reduced from 55,468,500 to 54,699,500, being a net decrease of 769,000 units of \$1 each. The balance at 30 September 2011 does not include reinvestments from income for the year ended 30 March 2012 as the trust only distributes income at 31 March each year. During the same period the trust decreased its mortgage loans from \$44,964,000 to \$39,378,000, a decrease of \$5,586,000. The yield to unitholders for the period of six months was approximately 7.98%. The directors consider that the trust continued to operate in a satisfactory manner during the period ended 30 September 2011.

Operating results

The operating profit of the trust for the period of six months ended 30 September 2011 was \$2,209,413.

Auditor's declaration

The auditors independence declaration under Section 307C of the Corporations Act 2001 is set out on the following page for the half year ended 30 September 2011.

This report is signed in accordance with a resolution of the Board of Directors of the trustee company, CKM (Mortgages) Limited.

Director
K J Millar

Director
V J Collins

Dated this 13 day of Dec 2011



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

To the Directors of CKM (Mortgages) Limited

I declare to the best of my knowledge and belief, in relation to the half-year review of The CKM Mortgage Trust for the period ended 30 September 2011 there have been:

- (a) no contraventions of the auditor independence requirements as set out in 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.

PKF

Kieran Gould
Partner

Sydney : 13 December 2011

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The CKM Mortgage Trust

Statement of Comprehensive Income for the six months ended 30 September 2011

	Note	30 September 2011 \$	30 September 2010 \$
Revenue			
Interest - loans on mortgage		2,148,160	2,110,180
Interest - additional for late payment		115,451	103,928
Interest - additional for early repayment		92,152	33,629
Interest - other		283,065	258,693
		<u>2,638,828</u>	<u>2,506,330</u>
Expenses			
Audit fees	11,450		9,900
Bank charges	497		513
Complaints service fees	256		359
Compliance committee fees	6,000		6,000
Credit reference fees	2,220		1,288
Custodian bank fees	3,000		1,538
Filing & registration fees	2,098		2,433
Legal expenses	85,266		30,237
Losses on loan defaults	10,334		-
Managers fees	303,155		293,542
Printing and stationery	540		32
Telephone	55		-
Valuation fees	3,815		1,814
Web hosting fees	729		708
		<u>429,415</u>	<u>348,364</u>
Profit for the period	2	<u>2,209,413</u>	<u>2,158,066</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>2,209,413</u>	<u>2,158,066</u>

The CKM Mortgage Trust

Statement of Financial Position as at 30 September 2011

	Note	30 September 2011 \$	31 March 2011 \$
Assets			
Cash and cash equivalents			
Cash at bank		17,384,034	10,547,675
Receivables			
Trade debtors	624,655		735,728
Accrued income	139,541		184,343
GST refundable	8,797		16,093
Other debtors	-		15,000
		772,993	951,164
Other financial assets			
Loans on mortgage		39,378,000	44,964,000
Total assets		<u>57,535,027</u>	<u>56,462,839</u>
Liabilities			
Payables			
Trade creditors	178,916		182,227
Income received in advance	447,157		268,999
Distribution payable	-		543,113
Other creditors	41		-
		626,114	994,339
Total liabilities		<u>626,114</u>	<u>994,339</u>
Net assets		<u>56,908,913</u>	<u>55,468,500</u>
Equity			
Unitholders' funds - units of \$1 each	4	54,699,500	55,468,500
Undistributed income		2,209,413	-
		56,908,913	55,468,500
		<u>56,908,913</u>	<u>55,468,500</u>

The CKM Mortgage Trust

Statement of cash flows for the six months ended 30 September 2011

	30 September 2011 \$	30 September 2010 \$
Cash flows from operating activities		
Receipts of income	2,962,527	2,048,084
Payments for expenses	<u>(400,096)</u>	<u>(340,904)</u>
Net cash provided by operating activities	2,562,431	1,707,180
Cash flows from investing activities		
Payments to solicitors trust account pending loan settlement	-	(3,000,947)
Payments for loans on mortgage	(7,269,000)	(9,754,000)
Proceeds from repayments of loans on mortgage	<u>12,855,000</u>	<u>6,712,198</u>
Net cash used by investing activities	5,586,000	(6,042,749)
Cash flows from financing activities		
Proceeds from issue of trust units	2,895,000	806,000
Payments for redemption of trust units	(3,664,000)	(1,769,000)
Payments for distribution of trust income	<u>(543,072)</u>	<u>(431,739)</u>
Net cash from financing activities	<u>(1,312,072)</u>	<u>(1,394,739)</u>
Net increase (decrease) in cash held	6,836,359	(5,730,308)
Cash and cash equivalents at the beginning of the financial half-year	<u>10,547,675</u>	<u>13,077,688</u>
Cash and cash equivalents at the end of the financial half-year	<u>17,384,034</u>	<u>7,347,380</u>

The CKM Mortgage Trust

Statement of Changes in Equity for the six months ended 30 September 2011

	30 September 2011			30 September 2010		
	Unitholders funds	Undistrib- uted income	Total equity	Unitholders funds	Undistrib- uted income	Total equity
	\$	\$	\$	\$	\$	\$
Opening balance	55,468,500	-	55,468,500	53,879,000	-	53,879,000
Net profit/(loss) for period		2,209,413	2,209,413		2,158,066	2,158,066
Transactions with unitholders						
Applications	2,895,000		2,895,000	834,500		834,500
Redemptions	(3,664,000)		(3,664,000)	(1,797,500)		(1,797,500)
Distributions paid	-	-	-	-	-	-
Closing balance	<u>54,699,500</u>	<u>2,209,413</u>	<u>56,908,913</u>	<u>52,916,000</u>	<u>2,158,066</u>	<u>55,074,066</u>

The CKM Mortgage Trust

Notes to the Financial Statements for the six months ended 30 September 2011

Note 1: Basis of preparation

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 March 2011 and any public announcements made by The CKM Mortgage Trust during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the trust and are consistent with those applied in the 31 March 2011 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Note 2: Profit for the period

There are no items in the financial statements affecting assets, liabilities, equity, net profit or loss, or cashflows which by their nature and amount are material to an understanding of the interim period other than disclosed on the face of the financial statements.

Note 3: Distributions

Distributions of trust income paid to unitholders during the half-year without previously being recognised as a liability \$nil (2010: \$nil).

Note 4: Unitholders funds

The trust has issued one class of units only. The units of \$1 each are fully paid, and there are no special rights, preferences or restrictions attaching to any unit.

	Sept 2011	Mar 2011
Number of units on issue at beginning of the reporting period	55,468,500	53,879,00
Number of units issued during the reporting period	2,895,000	1,791,000
Number of units issued during the reporting period upon reinvestment of distribution	-	3,797,000
Number of units redeemed during the reporting period	3,664,000	3,998,500
Number of units on issue as at the reporting period	54,699,500	55,468,500

Note 5: Segment information

The trust operates in the mortgage sector throughout Australia.

The CKM Mortgage Trust

Notes to the Financial Statements for the six months ended 30 September 2011

Note 6: Contingent liabilities

A legal claim has been brought against CKM Mortgage Trust (CKM) by the current mortgagee of a previous mortgagor of CKM seeking recovery of funds for a loan CKM made in 2003 and was discharged by CKM in 2005. The case is being strongly defended and advice from legal counsel indicates that there is a higher than average probability that the case will be summarily dismissed. There is currently no legal precedent for a claim of this type. If the case proceeds to court the maximum liability that may arise will be approximately \$1,588,000 plus costs. Based on legal advice, the directors of CKM (Mortgages) Limited are of the view that there will be no liability to CKM Mortgage Trust.

Note 7: Events subsequent to reporting date

There are no matters or circumstances that have arisen since the end of the financial period that have been significantly affected or may significantly affect:-

- i) The operations of the trust;
- ii) The result of those operations; or
- iii) State of affairs of the trust.

in future financial years.

Note 8: Related parties

- a) Responsible entity

The responsible entity of The CKM Mortgage Trust is CKM (Mortgages) Limited (ABN 78 089 263 310).

- b) Key management personnel

The trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the trust and this is considered to be the key management personnel. The directors of the Responsible Entity are key management personnel of that entity and they are Kenneth J Millar, Vincent J Collins and Gary J Hayward.

The manager is entitled to a management fee which is calculated as a proportion of net assets attributable to unitholders and in accordance with the trusts Constitution and Product Disclosure Statement.

During the period, the trust expensed an amount of \$303,155 (2010: \$293,542) after deducting reduced input tax credits for GST. At balance date an amount of \$164,981 (2010: \$159,115) owing to the CKM (Mortgages) Limited was included in accounts payable.

No compensation is paid to directors or directly by the trust to any of the key management personnel of the Responsible Entity.

- c) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time CKM (Mortgages) Limited's director-related entities may invest in or withdraw from the trust. These investments or withdrawals are on the same terms and conditions as those entered into by other trust investors.

- d) Related party investments held by the trust

The trust has no investment in CKM (Mortgages) Limited or its associates.

The CKM Mortgage Trust

Notes to the Financial Statements for the six months ended 30 September 2011

As at 30 September 2011 no key management personnel held units in the Fund (2010: Nil).

e) Units in the trust held by other related parties

Related parties including entities associated with the directors of the Responsible Entity are investors in the trust, holding 1,984,000 units at 30 September 2011 (1,877,500 units at 31 March 2011). Distributions owing to related party investors at 30 September 2011 are nil.

f) Key management personnel loan disclosures

The trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

g) Other transactions within the trust

Apart from those details disclosed in this note, no director has entered into a contract with the trust since the end of the previous year and there were no contracts involving directors' interests subsisting at 30 September 2011.

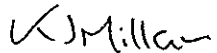
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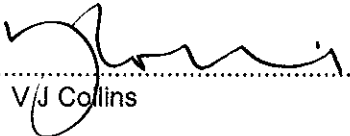
Declaration by Directors of the Trustee Company

The directors of CKM (Mortgages) Limited declare that:

1. the financial statements and notes, as attached to this declaration:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b) give a true and fair view of the trust's financial position as at 30 September 2011 and of its performance for the half-year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the trustee company.

Director 
K J Millar

Director 
V J Collins

Dated this 13 day of December 2011



Chartered Accountants
& Business Advisers

Independent Auditor's Review Report

To the Members of The The CKM Mortgage Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The CKM Mortgage Trust, which comprises the statement of financial position as at 30 September 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of 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 control 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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the registered scheme's financial position as at 30 September 2011 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 The CKM Mortgage Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 have 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 The CKM Mortgage Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the registered scheme's financial position as at 30 September 2011 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*.

PKF

Kieran Gould
Partner
Sydney : 13 December 2011

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