

**Balmain Discrete Mortgage Income  
Trusts**

**ARSN 155 909 176**

Interim Financial Report  
Half-year ended 31 December 2018

# **Balmain Discrete Mortgage Income Trusts**

**ARSN 155 909 176**

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# Balmain Discrete Mortgage Income Trusts

## ARSN 155 909 176

### Directors' report

The directors of Balmain Fund Administration Limited (the "Responsible Entity"), the responsible entity of the Balmain Discrete Mortgage Income Trusts (the "Trust") present their report together with the interim financial report of the Trust, for the half-year ended 31 December 2018.

Balmain Discrete Mortgage Income Trusts became a registered scheme under the Corporations Act 2001 on 9 March 2012. Balmain Fund Administration Limited ("BFAL") became the responsible entity on 9 March 2012.

#### 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 Balmain Corporation 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.
Steven Hall Director	Steven is the CEO of Brookvine. He joined the board of BFAL in 2016. Brookvine is a leading independent fund placement and advisory business. Prior to joining Brookvine Steven was Head of Asset Management at ipac Securities Limited (AXA Group) with overall responsibility for ipac's \$13 billion multi-manager business. Steven worked with ipac for 14 years and played a lead role in founding ipac's multi-manager business, directing its expansion in the Asia Pacific region and growing it to be one of the leading Australasian businesses of its type. Prior to joining ipac, Steven was a management consultant and before that, an accountant at Arthur Andersen & Co. He holds a Bachelor of Commerce from the University of New South Wales.
John Robles Director	Mr John Robles has over 15 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 and New Zealand (CAANZ).

# Balmain Discrete Mortgage Income Trusts

## ARSN 155 909 176

### Directors' report

#### Principal activities

The Trust is a management investment scheme which comprises a Cash Management Account and a series of discrete mortgage income trusts that each hold no more than one first mortgage loan over property.

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 financial period.

#### Review and results of operations

Funds under management in the Trust as at 31 December 2018 were approximately \$385,947,109 (30 June 2018: \$259,257,188).

The Trust's net profit before finance costs for the period ended 31 December 2018 was \$13,703,376 (31 December 2017: \$6,286,898).

#### Distributions

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

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>\$'000</b>	<b>Cents/unit</b>	<b>\$'000</b>	<b>Cents/unit</b>
Interim distribution paid	11,170	4.09	5,094	3.83
Interim distribution payable*	2,533	0.91	1,193	0.82
	13,703	5.00	6,287	4.65

\* The 31 December distribution was paid on 18 January 2019 (2017: 15 January 2018).

#### Performance

Returns from the Trust for the period, assuming monthly reinvestments, averaged 7.63% (2017: 7.66%).

The Trust has net assets of \$385,947,109 as at 31 December 2018 (30 June 2018: \$259,257,188).

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

#### Events subsequent to reporting date

There has not 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 significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial periods.

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Directors' report**

**Auditor's independence declaration**

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the period ended 31 December 2018.

**Rounding off**

The Trust is of a type of entity referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar.

Dated at Sydney this 14 day of March 2019.

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



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Michael Holm  
Director

Level 17, 383 Kent Street  
Sydney NSW 2000

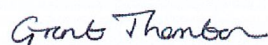
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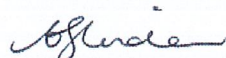
## Auditor's Independence Declaration to the Directors of Balmain Discrete Income Mortgage Trusts

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Balmain Discrete Income Mortgage Trusts for the half-year ended 31 December 2018, 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 J Sheridan  
Partner – Audit & Assurance

Sydney, 14 March 2019

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**Balmain Discrete Mortgage Income Trusts****ARSN 155 909 176****Statement of profit or loss and other comprehensive income****For the half-year ended 31 December 2018**

	Note	31 December 2018 \$'000	31 December 2017 \$'000
<b>Income</b>			
Interest income		15,711	8,021
<b>Total operating income</b>		15,711	8,021
<b>Operating expenses</b>			
Responsible Entity fees		1,990	1,368
Other expenses		18	366
<b>Total expenses before finance costs</b>		2,008	1,734
<b>Operating profit for the period before finance costs</b>		13,703	6,287
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	10	13,703	6,287
<b>Total finance costs</b>		13,703	6,287
<b>Change in net assets attributable to unit holders</b>		-	-
<b>Profit/(loss) for the period</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		-	-

**Statement of changes in equity**

The Trust's net assets attributable to unitholders are classified as a liability under AASB132 Financial Instruments: *Presentation*. As such, the Trust has no equity and no changes in equity have been presented for the current period.

These financial statements should be read in conjunction with the notes on pages 10 to 16

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Statement of financial position**  
**As at 31 December 2018**

	<b>Note</b>	<b>31 December 2018</b> <b>\$'000</b>	<b>30 June 2018</b> <b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	6	45,902	21,432
Mortgage loans	7	278,335	195,295
<b>Total current assets</b>		<u>324,237</u>	<u>216,727</u>
<b>Non-current assets</b>			
Mortgage loans	7	80,108	53,372
<b>Total non-current assets</b>		<u>80,108</u>	<u>53,372</u>
<b>Total assets</b>		<u>404,345</u>	<u>270,099</u>
<b>Current liabilities</b>			
Payables	8	15,247	8,875
Distribution payable	9	2,533	1,671
<b>Total current liabilities</b>		<u>17,780</u>	<u>10,546</u>
<b>Non-current liabilities</b>			
Payables	8	618	296
		<u>618</u>	<u>296</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>18,398</u>	<u>10,842</u>
<b>Net assets attributable to unitholders – liability</b>	10	<u>385,947</u>	<u>259,257</u>

These financial statements should be read in conjunction with the notes on pages 10 to 16

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

		<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Interest received		19,421	6,275
Responsible Entity and related parties' fees paid		(1,043)	(960)
Other income (expenses)		126	(1,461)
Net payments for settlement from discharge of mortgage loans		(107,883)	(36,116)
<b>Net cash outflow from operating activities</b>		<b>(89,379)</b>	<b>(32,262)</b>
<b>Cash flows from financing activities</b>			
Applications received		404,080	170,015
Redemptions paid		(279,021)	(128,191)
Distributions paid		(11,210)	(5,963)
<b>Net cash inflow from financing activities</b>		<b>113,849</b>	<b>35,861</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,470</b>	<b>3,599</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>		<b>21,432</b>	<b>17,534</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>6</b>	<b>45,902</b>	<b>21,133</b>

These financial statements should be read in conjunction with the notes on pages 10 to 16

# **Balmain Discrete Mortgage Income Trusts**

## **ARSN 155 909 176**

### **Notes to the financial statements**

#### **1 Reporting entity**

Balmain Discrete Mortgage Income Trusts is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Trust is for the six month ended 31 December 2018.

#### **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 Corporation Act 2001. The interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the annual financial statements of the Trust for the year ended 30 June 2018.

The financial statements were approved by the Board of Directors of Balmain Fund Administration Limited on xx March 2019.

#### **3 Significant accounting policies**

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Trust's latest annual financial statements for the year ended 30 June 2018 with the exception of the following accounting standards implemented in the reporting period.

##### **(a) Standards effective 1 January 2018**

##### **AASB 9 Financial Instruments**

AASB 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018.

This standard replaces AASB 139 'Financial Instruments: Recognition and Measurement' requirements. AASB 9 'Financial Instruments' makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets, along with new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

When adopting AASB 9, the Trust has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

##### *Classification*

Classification and measurement of debt assets is driven by the Trust's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and
- the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI).

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

# Balmain Discrete Mortgage Income Trusts

## ARSN 155 909 176

### Notes to the financial statements

#### 3 Significant accounting policies (continued)

##### AASB 9 Financial Instruments (continued)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets after initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group's Mortgage Loans fall into this category of financial instrument. The classification of these financial assets has remained unchanged from AASB 139.

##### *Impairment of financial assets*

The Trust's debt instruments carried at amortised cost (Mortgage Loans) are subject to AASB 9's new three-stage expected credit loss model.

On adoption of AASB 9, the Trust has changed the accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach and has calculated ECLs based on the Trust's historical credit loss experience, adjusted for forward-looking factors specific to the mortgage loans and the economic environment.

The Trust has no history of impairment of the Mortgage Loans. The current credit policies, procedures and guidelines set out by the Board of Directors of the investment management Company, Balmain Funds Management Pty Limited include detailed assessment of collateral, debt repayment capacity and credit standing and impose stringent requirements on the LVR of the Mortgage Loans.

No impairment allowance was recognised for the Mortgage loans.

##### Impact on adoption:

The adoption of AASB 9 by the Trust and did not result in a change to the classification or measurement of the financial instruments held as at the reporting date. The Trust's loan portfolio (Mortgage Loans) which are held for collection continue to be measured at amortised cost. There was no material impact on adoption of the application of the new impairment model.

##### AASB 15 Revenue from Contracts with Customers

AASB 15 and its associated amendments supersede AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

##### Impact on adoption:

The Trust's only income is interest earned on Cash and Cash Equivalents and Mortgage Loans that is recognised using the effective interest rate method. The Trust has therefore determined that AASB 15 Revenue from Contracts with Customers is not applicable.

#### **(b) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Trust.

# Balmain Discrete Mortgage Income Trusts

## ARSN 155 909 176

### Notes to the financial statements

#### 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 2018 except as follows:

##### Mortgage Loans

As outlined above, the Trust has not made an adjustment for expected credit losses. The Trust assesses expected credit losses with reference to the history of losses and considering the collateral, debt repayment capacity, LVR and credit standing on the borrowers to determine future expected credit losses. No provision for expected credit losses has been raised against the Mortgage Loans.

#### 5 Rounding

The Trust is of a type of entity referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar.

#### 6 Cash and cash equivalents

	31 December 2018	30 June 2018
	\$'000	\$'000
Cash at bank	45,902	21,432
	<u>45,902</u>	<u>21,432</u>

#### 7 Mortgage loans

	\$'000	\$'000
Current mortgage loans	278,335	195,295
Non-current mortgage loans	80,108	53,372
<b>Total mortgage loans</b>	<u>358,443</u>	<u>248,667</u>

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

	31 December 2018	30 June 2018
	\$'000	\$'000
Not past due	331,773	242,121
Past due 0-30 days	-	-
Past due 31-60 days	-	6,546
Past due 61-90 days	-	-
Past due more than 90 days	26,670	-
	<u>358,443</u>	<u>142,809</u>

Included above is a loan amounting to \$4,148,607 which was past due more than 90 days and was paid in full subsequent to the period end.

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Notes to the financial statements**

**8 Payables**

	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Fees payable to the Responsible Entity	2,425	1,478
Interest in advance	10,569	6,859
Other payables	2,253	538
	<u>15,247</u>	<u>8,875</u>

All payables are non-interest bearing and expected to be settled within 12 months of the reporting date.

**Non-current**

Interest in advance	618	296
	<u>618</u>	<u>296</u>

**9 Distributions**

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>\$'000</b>	<b>Cents/unit</b>	<b>\$'000</b>	<b>Cents/unit</b>
The distributions were paid/payable as follows:				
Distribution paid – Cash unit	127	0.60	63	0.51
Distribution payable – Cash unit	46	0.17	18	0.17
Distribution paid – Loan unit	11,043	3.53	5,031	3.31
Distribution payable – Loan unit	2,487	0.70	1,175	0.66
	<u>13,703</u>	<u>5.00</u>	<u>6,287</u>	<u>4.65</u>

Distribution paid includes distribution reinvestment amount of \$1,631,486 (2017: \$472,608) for cash units and loan units.

# Balmain Discrete Mortgage Income Trusts

ARSN 155 909 176

## Notes to the financial statements

### 10 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.

#### Cash unit class

	31 December 2018		30 June 2018	
	No. of units '000	\$'000	No. of units '000	\$'000
Opening balance	10,775	10,775	5,221	5,221
Applications from investors	110,392	110,392	153,819	153,819
Applications from loan unit conversions	115,825	115,825	136,063	136,063
Redemptions to loan unit conversions	(178,692)	(178,692)	(232,986)	(232,986)
Redemptions to investors	(30,604)	(30,604)	(51,342)	(51,342)
Closing balance	27,696	27,696	10,775	10,775

#### Loan unit class

	No. of units				31 December 2018	
	Class B '000	Class L '000	Class N '000	Class T '000	Total No. of units	\$'000
					'000	
Opening balance	34,089	190,975	2,639	20,779	248,482	248,482
Applications – underwriter units	237,905	-	-	-	237,905	237,905
Applications from cash units	-	178,692	-	-	178,692	178,692
Applications from Class N	-	-	4,000	-	4,000	4,000
Applications – Class T units	-	-	-	53,414	53,414	53,414
Redemptions to cash units	-	(115,825)	-	-	(115,825)	(115,825)
Redemptions – underwriter units	(201,674)	-	-	-	(201,674)	(201,674)
Redemptions – Class T units	-	-	-	(42,743)	(42,743)	(42,743)
Redemptions – Class N units	-	-	(4,000)	-	(4,000)	(4,000)
Closing balance	70,320	253,842	2,639	31,450	358,251	358,251

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Notes to the financial statements**

**10 Net assets attributable to unitholders (continued)**

**Loan unit class**

	<b>No. of units</b>				<b>30 June 2018</b>	
	<b>Class B</b>	<b>Class L</b>	<b>Class N</b>	<b>Class T</b>	<b>Total</b>	<b>\$'000</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>No. of units '000</b>	
Opening balance	40,914	94,052	6,311	1,600	142,877	142,877
Applications – underwriter units	264,188	-	-	-	264,188	264,188
Applications from cash units	-	232,986	-	-	232,986	232,986
Applications from Class N	-	-	3,947	-	3,947	3,947
Applications – Class T units	-	-	-	78,894	78,894	78,894
Redemptions to cash units	-	(136,063)	-	-	(136,063)	(136,063)
Redemptions – underwriter units	(271,013)	-	-	-	(271,013)	(271,013)
Redemptions – Class T units	-	-	-	(59,715)	(59,715)	(59,715)
Redemptions – Class N units	-	-	(7,619)	-	(7,619)	(7,619)
Closing balance	34,089	190,975	2,639	20,779	248,482	248,482

**General terms**

All units have the same rights to income. In the event of a wind-up of the Trust, each unit is entitled to a pro-rata share of the net assets of the Trust.

**Class B Units**

Class B units do not have any voting rights attaching to them and can be redeemed earlier than the repayment of the mortgage loans.

**Class L units**

Class L units have the same voting rights of one vote for each unit held. They are only able to be redeemed when the underlying loan in the sub-trust has been repaid.

**Class N units**

Class N units have the same voting rights of one vote for each unit held. They are only able to be redeemed when the underlying loan in the sub-trust has been repaid.

**Class T units**

Class T units have the same voting rights of one vote for each unit held. They are only able to be redeemed when the underlying loan in the sub-trust has been repaid.

**Cash units**

Cash units have the same voting rights of one vote for each unit held. They are able to be redeemed upon 7 days' notice to the Investment Manager.

**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Notes to the financial statements**

**11 Financial risk management**

The Trust's 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 2018.

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

**12 Contingencies**

There are no contingent assets as at 31 December 2018 (30 June 2018: Nil).

**13 Events subsequent to the reporting date**

There have been no events subsequent to reporting date which would have a material effect on the Trust's financial statements as at 31 December 2018.

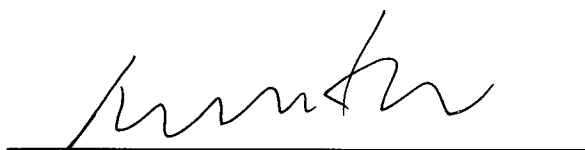
**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Director's Declaration**

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

- (a) the financial statements and notes, set out on pages 10 to 16 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 2018 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 Corporations Regulations 2001; and
- (b) 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 14 day of March 2019

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



Michael Holm  
Director

# Independent Auditor's Review Report

## To the Members of Balmain Discrete Income Mortgage Trusts

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Balmain Discrete Income Mortgage Trusts (the "Trust"), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Balmain Discrete Income Mortgage Trusts does not give a true and fair view of the financial position of the Trust as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

The Directors of the Responsible Entity of the Trust 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 internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

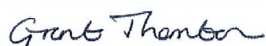
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2018 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 Discrete Income Mortgage Trusts, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

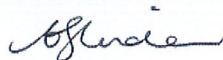
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A J Sheridan  
Partner – Audit & Assurance

Sydney, 14 March 2019