

BALMAIN PRIVATE INVESTMENTS

Balmain Discrete Mortgage Income Trusts

INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2022

Balmain Discrete Mortgage Income Trusts ARSN 155 909 176
Responsible Entity and Issuer Balmain Fund Administration Limited
ABN 98 134 526 604 AFSL 333213

www.balmainprivate.com.au



Balmain Discrete Mortgage Income Trusts

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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 2022.

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 40 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 25 years at the highest level.
John Robles Director	Mr John Robles has over 20 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).
Brendan Howell Director	Brendan has a Bachelor of Economic (majoring in Accounting and Economics) from the University of Sydney and a Diploma in Finance & Investment from the Securities Institute of Australia, and 30 years' experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background, and from the period 1990 to 1998 held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past 22 years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of properties, equity and infrastructure fund managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

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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 2022 were \$1,264,991,685 (30 June 2022: \$1,208,830,200).

The Trust's net profit before finance costs for the period ended 31 December 2022 was \$41,693,556 (31 December 2021: \$30,456,568).

Distributions

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

	31 December 2022		31 December 2021	
	\$'000	Cents/unit	\$'000	Cents/unit
Interim distribution paid	34,478	3.66	25,433	3.00
Interim distribution payable*	7,215	0.89	5,024	0.60
	41,693	4.55	30,457	3.60

* The 31 December 2022 distribution was paid on 11 January 2023 (2021: 17 January 2022).

Performance

Returns from the Trust for the period, assuming monthly reinvestments, averaged 7% (2021: 6.29%).

The Trust has net assets of \$1,264,991,685 as at 31 December 2022 (30 June 2022: \$1,208,830,200).

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.

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 2022.

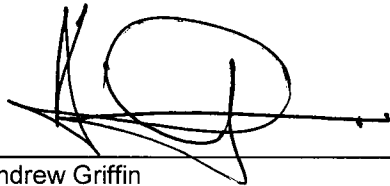
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Directors' report

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 1st day of March 2023.

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

A handwritten signature in black ink, consisting of a large loop and several strokes, positioned above a horizontal line.

Andrew Griffin
Director

Auditor's Independence Declaration

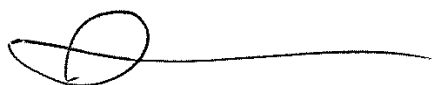
To the Directors of the Responsible Entity of Balmain Discrete Income Mortgage Trusts

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 period ended 31 December 2022, 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



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 1 March 2023

Balmain Discrete Mortgage Income Trusts
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Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Income			
Interest income		49,176	36,028
Total operating income		<u>49,176</u>	<u>36,028</u>
Operating expenses			
Responsible Entity fees		5,965	5,276
Other expenses		1,518	295
Total expenses before finance costs		<u>7,483</u>	<u>5,571</u>
Operating profit for the period before finance costs		<u>41,693</u>	<u>30,457</u>
Finance costs attributable to unitholders			
Distributions to unitholders	9	41,693	30,457
Total finance costs		<u>41,693</u>	<u>30,457</u>
Change in net assets attributable to unit holders		<u>-</u>	<u>-</u>
Profit/(loss) for the period		-	-
Other comprehensive income		-	-
Total comprehensive income		<u>-</u>	<u>-</u>

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 14

Balmain Discrete Mortgage Income Trusts
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Statement of financial position
As at 31 December 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents	6	150,042	106,358
Mortgage loans	7	1,078,884	986,188
Total current assets		1,228,926	1,092,546
Non-current assets			
Mortgage loans	7	79,644	162,979
Total non-current assets		79,644	162,979
Total assets		1,308,570	1,255,525
Current liabilities			
Payables	8	31,781	35,901
Distribution payable	9	7,216	6,032
Total current liabilities		38,997	41,933
Non-current liabilities			
Payables	8	4,582	4,762
		4,582	4,762
Total liabilities (excluding net assets attributable to unitholders)		43,579	46,695
Net assets attributable to unitholders – liability	10	1,264,992	1,208,830

These financial statements should be read in conjunction with the notes on pages 10 to 14

Balmain Discrete Mortgage Income Trusts
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Statement of cash flows
For the half-year ended 31 December 2022

		31 December 2022	31 December 2021
	Note	\$'000	\$'000
Cash flows from operating activities			
Interest received		42,016	43,815
Responsible Entity and related parties' fees paid		(5,863)	(4,089)
Other income		(1,004)	(526)
Net payments for settlement from discharge of mortgage loans		(202,809)	(157,888)
Net cash outflow from operating activities		(167,660)	(118,688)
Cash flows from financing activities			
Applications received		1,537,226	1,248,810
Redemptions paid		(1,314,162)	(1,059,920)
Distributions paid		(39,501)	(28,131)
Net cash inflow from financing activities		183,563	160,759
Net increase in cash and cash equivalents		15,903	42,071
Cash and cash equivalents at the beginning of the financial period		134,139	92,068
Cash and cash equivalents at the end of the financial period	6	150,042	134,139

These financial statements should be read in conjunction with the notes on pages 10 to 14

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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 2022.

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 2022.

The financial statements were approved by the Board of Directors of Balmain Fund Administration Limited on 1st of March 2023.

3 Significant accounting policies

The interim financial report have been prepared in accordance with the same accounting policies adopted in the Trust's latest annual financial statements for the year ended 30 June 2022.

(a) New standards, amendments and interpretations effective after 1 January 2021 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 2021, 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.

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 2022.

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.

Balmain Discrete Mortgage Income Trusts
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Notes to the financial statements

6 Cash and cash equivalents

	31 December 2022	30 June 2022
	\$'000	\$'000
Cash at bank	150,042	106,358
	<u>150,042</u>	<u>106,358</u>

7 Mortgage loans

	31 December 2022	30 June 2022
	\$'000	\$'000
Current mortgage loans	1,078,884	986,188
Non-current mortgage loans	79,644	162,979
Total mortgage loans	<u>1,158,528</u>	<u>1,149,167</u>

The Trust assesses expected credit losses with reference to the history of losses and considering the collateral, debt repayment capacity, LVR (Loan to Value Ratio) 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.

8 Payables

	31 December 2022	30 June 2022
	\$'000	\$'000
Current		
Fees payable to the Responsible Entity	4,093	4,162
Interest in advance	27,217	31,490
Other payables/(receivable)	471	249
	<u>31,781</u>	<u>35,901</u>

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

Non-current		
Interest in advance	4,582	4,063
	<u>4,582</u>	<u>4,063</u>

9 Distributions

	31 December 2022		31 December 2021	
	\$'000	Cents/unit	\$'000	Cents/unit
The distributions were paid/payable as follows:				
Distribution paid – Cash unit	805	0.79	35	0.05
Distribution payable – Cash unit	277	0.26	8	0.01
Distribution paid – Loan unit	33,673	2.87	25,398	2.95
Distribution payable – Loan unit	6,938	0.63	5,016	0.59
	<u>41,693</u>	<u>4.55</u>	<u>30,457</u>	<u>3.60</u>

Distribution paid includes distribution reinvestment amount of \$5,968,222 (2021: \$4,566,807) for cash units and loan units.

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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 2022		30 June 2022	
	No. of units	\$'000	No. of units	\$'000
	'000		'000	
Opening balance	59,679	59,679	65,377	65,377
Applications from investors	244,289	244,289	320,401	320,401
Applications from loan unit conversions	440,886	440,886	693,933	693,933
Redemptions to loan unit conversions	(548,811)	(548,811)	(799,414)	(799,414)
Redemptions to investors	(88,775)	(88,775)	(220,618)	(220,618)
Closing balance	107,268	107,268	59,679	59,679

Loan unit class

	No. of units				31 December 2022	
	Class B	Class L	Class N	Class T	Total No.	\$'000
	'000	'000	'000	'000	of units	
					'000	
Opening balance	319,238	786,957	-	42,956	1,149,151	1,149,151
Applications – underwriter units	521,812	-	-	-	521,812	521,812
Applications from cash units	-	548,811	-	-	548,811	548,811
Applications from Class N	-	-	-	-	-	-
Applications – Class T units	-	-	-	163,336	163,336	163,336
Redemptions to cash units	-	(440,886)	-	-	(440,886)	(440,886)
Redemptions – underwriter units	(632,920)	-	-	-	(632,920)	(632,920)
Redemptions – Class T units	-	-	-	(151,580)	(151,580)	(151,580)
Redemptions – Class N units	-	-	-	-	-	-
Closing balance	208,130	894,882	-	54,712	1,157,724	1,157,723

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Notes to the financial statements

10 Net assets attributable to unitholders (continued)

Loan unit class

	No. of units				30 June 2022	
	Class B	Class L	Class N	Class T	Total	\$'000
	'000	'000	'000	'000	No. of units '000	
Opening balance	76,157	681,476	2,947	27,081	787,661	787,661
Applications – underwriter units	1,094,395	-	-	-	1,094,395	1,094,395
Applications from cash units	-	799,414	-	-	799,414	799,414
Applications from Class N	-	-	-	-	-	-
Applications – Class T units	-	-	-	216,602	216,602	216,602
Redemptions to cash units	-	(693,933)	-	-	(693,933)	(693,933)
Redemptions – underwriter units	(851,314)	-	-	-	(851,314)	(851,314)
Redemptions – Class T units	-	-	-	(200,727)	(200,727)	(200,727)
Redemptions – Class N units	-	-	(2,947)	-	(2,947)	(2,947)
Closing balance	319,238	786,957	-	42,956	1,149,151	1,149,151

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.

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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 2022.

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 2022 (30 June 2022: Nil).

13 Events subsequent to the 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.

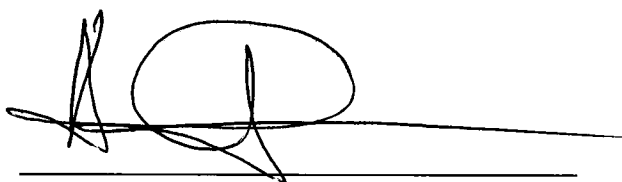
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Director's declaration

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 7 to 14 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 2022 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 1st day of March 2023

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 large, stylized 'G', with a horizontal line extending to the right.

Andrew Griffin
Director

Independent Auditor's Review Report

To the Unitholders of Balmain Discrete Mortgage Income Trusts

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Balmain Discrete Mortgage Income Trusts (the Trust), which comprises the statement of financial position as at 31 December 2022, 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Balmain Discrete Mortgage Income Trusts does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 internal control as the directors 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 Trusts' financial position as at 31 December 2022 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*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 1 March 2023

HOW TO CONTACT US

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