

BALMAIN PRIVATE INVESTMENTS

Balmain Discrete Mortgage Income Trusts

INTERIM FINANCIAL REPORT HALF-YEAR
ENDED 31 DECEMBER 2023

Balmain Discrete Mortgage Income Trusts ARSN 155 909 176
Product Disclosure Statement Dated 20 November 2019
Responsible Entity and Issuer Balmain Fund Administration Limited
ABN 98 134 526 604 AFSL 333213
www.balmainprivate.com.au



Balmain Discrete Mortgage Income Trusts

ARSN 155 909 176

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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 2023.

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 34 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 25 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 2023 were \$1,488,896,466 (30 June 2023: \$1,398,865,142).

The Trust's net profit before finance costs for the period ended 31 December 2023 was \$64,632,134 (31 December 2022: \$41,693,556).

Distributions

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

	31 December 2023		31 December 2022	
	\$'000	Cents/unit	\$'000	Cents/unit
Interim distribution paid	53,516	5.49	34,478	3.66
Interim distribution payable*	11,116	1.31	7,215	0.89
	64,632	6.80	41,693	4.55

* The 31 December 2023 distribution was paid on 12 January 2024 (2022: 11 January 2023).

Performance

Returns from the Trust for the period, assuming monthly reinvestments, averaged 9.15% (2022: 7%).

The Trust has net assets of \$1,488,896,466 as at 31 December 2023 (30 June 2023: \$1,398,865,142).

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

Events subsequent to reporting date

No matters or circumstances has arisen since 31 December 2023 that has significantly affected the Trust's operations, the results of those operations, or the Trust's state of affairs in future financial years.

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 2023.

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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 day of 27th February 2024.

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



Michael Holm
Director

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230
T +61 2 8297 2400

Auditor's Independence Declaration


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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Balmain Discrete Mortgage Income Trusts for the half-year ended 31 December 2023, 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, 27 February 2024

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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 2023**

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Income			
Interest income		75,586	49,176
Total operating income		<u>75,586</u>	<u>49,176</u>
Operating expenses			
Responsible Entity fees		(9,408)	(5,965)
Other expenses		(1,546)	(1,518)
Total expenses before finance costs		<u>(10,954)</u>	<u>(7,483)</u>
Operating profit for the period before finance costs		<u>64,632</u>	<u>41,693</u>
Finance costs attributable to unitholders			
Distributions to unitholders	9	64,632	41,693
Total finance costs		<u>64,632</u>	<u>41,693</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 15

Balmain Discrete Mortgage Income Trusts
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Statement of financial position
As at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
Current assets			
Cash and cash equivalents	6	175,478	194,280
Mortgage loans	7	1,190,019	1,151,797
Total current assets		1,365,497	1,346,077
Non-current assets			
Mortgage loans	7	198,781	120,922
Total non-current assets		198,781	120,922
Total assets		1,564,278	1,466,999
Current liabilities			
Payables	8	61,244	51,685
Distribution payable	9	11,116	9,161
Total current liabilities		72,360	60,846
Non-current liabilities			
Payables	8	3,022	7,288
		3,022	7,288
Total liabilities (excluding net assets attributable to unitholders)		75,382	68,134
Net assets attributable to unitholders – liability	10	1,488,896	1,398,865

These financial statements should be read in conjunction with the notes on pages 10 to 15

Balmain Discrete Mortgage Income Trusts
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Statement of cash flows
For the half-year ended 31 December 2023

		31 December 2023	31 December 2022
	Note	\$'000	\$'000
Cash flows from operating activities			
Interest received		81,204	42,016
Responsible Entity and related parties' fees paid		(8,913)	(5,863)
Other income/(expense)		41	(1,004)
Proceeds from Discharge of mortgage loans		804,835	505,827
Payment for settlement of mortgage loans		(923,323)	(708,636)
Net cash outflow from operating activities		(46,156)	(167,660)
Cash flows from financing activities			
Applications received		2,224,039	1,537,226
Redemptions paid		(2,134,008)	(1,314,162)
Distributions paid		(62,677)	(39,501)
Net cash inflow from financing activities		27,354	183,563
Net (decrease)/ increase in cash and cash equivalents		(18,802)	15,903
Cash and cash equivalents at the beginning of the financial period		194,280	134,139
Cash and cash equivalents at the end of the financial period	6	175,478	150,042

These financial statements should be read in conjunction with the notes on pages 10 to 15

Balmain Discrete Mortgage Income Trusts

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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 2023.

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 2023.

The financial statements were approved by the Board of Directors of Balmain Fund Administration Limited on 27 February 2023.

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 2023.

(a) New standards, amendments and interpretations effective after 1 January 2023 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 2023, 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 2023.

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 2023	30 June 2023
	\$'000	\$'000
Cash at bank	175,478	194,280
	<u>175,478</u>	<u>194,280</u>

7 Mortgage loans

	31 December 2023	30 June 2023
	\$'000	\$'000
Current mortgage loans	1,190,019	1,151,797
Non-current mortgage loans	198,781	120,922
Total mortgage loans	<u>1,388,800</u>	<u>1,272,719</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 2023	30 June 2023
	\$'000	\$'000
Current		
Fees payable to the Responsible Entity	4,654	4,159
Interest in advance	49,808	38,992
Other payables/(receivable)	6,782	8,534
	<u>61,244</u>	<u>51,685</u>

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

Non-current

Interest in advance	3,022	7,288
	<u>3,022</u>	<u>7,288</u>

9 Distributions

	31 December 2023		31 December 2022	
	\$'000	Cents/unit	\$'000	Cents/unit
The distributions were paid/payable as follows:				
Distribution paid – Cash unit	3,084	1.63	805	0.79
Distribution payable – Cash unit	519	0.52	277	0.30
Distribution paid – Loan unit	50,432	3.86	33,673	2.87
Distribution payable – Loan unit	10,597	0.79	6,938	0.59
	<u>64,632</u>	<u>6.80</u>	<u>41,693</u>	<u>4.55</u>

Distribution paid includes distribution reinvestment amount of \$9,464,285 (2022: \$5,968,222) 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 2023		30 June 2023	
	No. of units '000	\$'000	No. of units '000	\$'000
Opening balance	128,137	128,137	59,679	59,679
Applications from investors	310,390	310,390	502,738	502,738
Applications from loan unit conversions	676,474	676,474	952,340	952,340
Redemptions to loan unit conversions	(869,700)	(869,700)	(1,183,264)	(1,183,264)
Redemptions to investors	(144,665)	(144,665)	(203,356)	(203,356)
Closing balance	100,636	100,636	128,137	128,137

Loan unit class

	31 December 2023			Total No. of units	\$'000
	Class B '000	Class L '000	Class T '000		
Opening balance	151,338	1,017,881	101,509	1,270,728	1,270,728
Applications – underwriter units	941,268	-	-	941,268	941,268
Applications from cash units	-	869,700	-	869,700	869,700
Applications from Class N	-	-	-	-	-
Applications – Class T units	-	-	295,907	295,907	295,907
Redemptions to cash units	-	(676,474)	-	(676,474)	(676,474)
Redemptions – underwriter units	(962,809)	-	-	(962,809)	(962,809)
Redemptions – Class T units	-	-	(350,060)	(350,060)	(350,060)
Redemptions – Class N units	-	-	-	-	-
Closing balance	129,797	1,211,107	47,356	1,388,260	1,388,260

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10 Net assets attributable to unitholders (continued)

Loan unit class

	30 June 2023				
	Class B '000	Class L '000	Class T '000	Total No. of units '000	\$'000
Opening balance	319,238	786,957	42,956	1,149,151	1,149,151
Applications – underwriter units	1,160,234	-	-	1,160,234	1,160,234
Applications from cash units	-	1,183,264	-	1,183,264	1,183,264
Applications from Class N	-	-	-	-	-
Applications – Class T units	-	-	394,115	394,115	394,115
Redemptions to cash units	-	(952,340)	-	(952,340)	(952,340)
Redemptions – underwriter units	(1,328,134)	-	-	(1,328,134)	(1,328,134)
Redemptions – Class T units	-	-	(335,562)	(335,562)	(335,562)
Redemptions – Class N units	-	-	-	-	-
Closing balance	151,338	1,017,881	101,509	1,270,728	1,270,728

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 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 2023.

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 2023 (30 June 2023: Nil).

13 Events subsequent to the reporting date

No matters or circumstances has arisen since 31 December 2023 that has significantly affected the Trust's operations, the results of those operations, or the Trust's state of affairs in future financial years.

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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 2023 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 day 27th of February 2024

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



Michael Holm
Director

Independent Auditor's Review Report

To the Unitholders of Balmain Discrete Mortgage Income Trusts

Report on 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 2023, 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, 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 Balmain Discrete Mortgage Income Trusts' financial position as at 31 December 2023 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 Balmain Discrete Mortgage Income Trusts' financial position as at 31 December 2023 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, 27 February 2024

CONTACT US

For enquiries and information, please contact the Balmain Private Investments Team on:

TELEPHONE	+61 (2) 9232 8888
EMAIL	info@balmainprivate.com.au
ADDRESS	Level 14, 60 Castlereagh Street, Sydney NSW 2000 Australia
POST	G.P.O. Box 3570, Sydney NSW 2001 Australia
WEBSITE	www.balmainprivate.com.au