

**Balmain Discrete Mortgage Income  
Trusts**

**ARSN 155 909 176**

Interim Financial Report  
Half-year ended 31 December 2020

# **Balmain Discrete Mortgage Income Trusts**

**ARSN 155 909 176**

## **Contents**

Directors' report	3
Auditor's independence declaration	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	7
Statement of financial position	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	15
Independent review report	16

# 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 2020.

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.
Resigned: 16/09/2020	
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

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 20 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.

Appointed:  
6/11/2020

### 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 2020 was \$820,107,718 (30 June 2020: \$713,274,408).

The Trust's net profit before finance costs for the period ended 31 December 2020 was \$28,549,929 (31 December 2019: \$21,453,537).

### Distributions

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

	31 December 2020		31 December 2019	
	\$'000	Cents/unit	\$'000	Cents/unit
Interim distribution paid	23,348	3.29	17,436	3.67
Interim distribution payable*	5,202	0.69	4,017	0.84
	28,550	3.98	21,453	4.51

\* The 31 December distribution was paid on 15 January 2021 (2019: 14 January 2020).

### Performance

Returns from the Trust for the period, assuming monthly reinvestments, averaged 7.49% (2019: 7.50%).

The Trust has net assets of \$820,107,718 as at 31 December 2020 (30 June 2020: \$713,274,408).

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

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

**Events subsequent to reporting date**

Subsequent to the end of the financial year, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions, additional border closures between states, new stimulus measures (such as Jobkeeper 2.0) and many other items. It is therefore not practical to estimate the potential impact, positive or negative, after reporting date.

**Auditor's independence declaration**

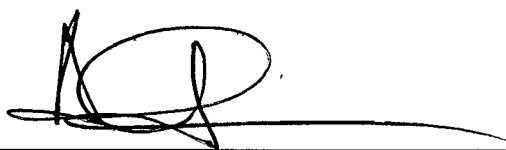
The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the period ended 31 December 2020.

**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 9<sup>th</sup> day of March 2021.

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

A handwritten signature in black ink, appearing to be 'A. Griffin', written over 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 2020, 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, 9 March 2021

**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 2020**

	Note	31 December 2020 \$'000	31 December 2019 \$'000
<b>Income</b>			
Interest income		33,544	25,596
<b>Total operating income</b>		<u>33,544</u>	<u>25,596</u>
<b>Operating expenses</b>			
Responsible Entity fees		4,468	3,734
Other expenses		526	409
<b>Total expenses before finance costs</b>		<u>4,994</u>	<u>4,143</u>
<b>Operating profit for the period before finance costs</b>		<u>28,550</u>	<u>21,453</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	9	28,550	21,453
<b>Total finance costs</b>		<u>28,550</u>	<u>21,453</u>
<b>Change in net assets attributable to unit holders</b>		<u>-</u>	<u>-</u>
<b>Profit/(loss) for the period</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<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**  
**ARSN 155 909 176**  
**Statement of financial position**  
**As at 31 December 2020**

	Note	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	106,460	99,390
Mortgage loans	7	470,199	515,293
<b>Total current assets</b>		576,659	614,683
<b>Non-current assets</b>			
Mortgage loans	7	280,754	135,708
<b>Total non-current assets</b>		280,754	135,708
<b>Total assets</b>		857,413	750,391
<b>Current liabilities</b>			
Payables	8	17,241	23,280
Distribution payable	9	5,202	4,264
<b>Total current liabilities</b>		22,443	27,544
<b>Non-current liabilities</b>			
Payables	8	14,863	9,573
		14,863	9,573
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		37,306	37,117
<b>Net assets attributable to unitholders – liability</b>	10	820,108	713,274

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



**Balmain Discrete Mortgage Income Trusts**  
**ARSN 155 909 176**  
**Statement of cash flows**  
**For the half-year ended 31 December 2020**

		31 December 2020	31 December 2019
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Interest received		40,735	32,991
Responsible Entity and related parties' fees paid		(4,208)	(3,777)
Other income		(655)	(324)
Net payments for settlement from discharge of mortgage loans		(108,024)	(135,462)
<b>Net cash outflow from operating activities</b>		<b>(72,152)</b>	<b>(106,572)</b>
<b>Cash flows from financing activities</b>			
Applications received		991,116	965,374
Redemptions paid		(884,282)	(774,036)
Distributions paid		(27,612)	(20,266)
<b>Net cash inflow from financing activities</b>		<b>79,222</b>	<b>171,072</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,070</b>	<b>64,500</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>		<b>99,390</b>	<b>57,507</b>
<b>Cash and cash equivalents at the end of the financial period</b>	6	<b>106,460</b>	<b>122,007</b>

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

# 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 2020.

#### 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 2020.

The financial statements were approved by the Board of Directors of Balmain Fund Administration Limited on 6 March 2020.

#### 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 2020.

##### (a) New standards, amendments and interpretations effective after 1 January 2019 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 2019, 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 2020.

#### 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 2020	30 June 2020
	\$'000	\$'000
Cash at bank	106,460	99,390
	<u>106,460</u>	<u>99,390</u>

#### 7 Mortgage loans

31 December 2020	30 June 2020
\$'000	\$'000

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

Current mortgage loans	470,199	515,293
Non-current mortgage loans	280,754	135,708
<b>Total mortgage loans</b>	<b>750,953</b>	<b>651,001</b>

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.

## 8 Payables

	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Fees payable to the Responsible Entity	3,855	3,595
Interest in advance	21,272	19,371
Other (receivable)/payables	(2,684)	314
	<b>22,443</b>	<b>23,280</b>

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

### Non-current

Interest in advance	14,863	9,573
	<b>14,863</b>	<b>9,573</b>

## 9 Distributions

	<b>31 December 2020</b>		<b>31 December 2019</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	53	0.08	162	0.36
Distribution payable – Cash unit	6	0.01	34	0.04
Distribution paid – Loan unit	23,295	3.21	17,274	3.31
Distribution payable – Loan unit	5,196	0.68	3,983	0.80
	<b>28,550</b>	<b>3.98</b>	<b>21,453</b>	<b>4.51</b>

Distribution paid includes distribution reinvestment amount of \$4,149,562 (2019: \$2,983,554) 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**

	<b>31 December 2020</b>		<b>30 June 2020</b>	
	<b>No. of units</b>	<b>\$'000</b>	<b>No. of units</b>	<b>\$'000</b>
	<b>'000</b>		<b>'000</b>	
Opening balance	63,192	63,192	32,946	32,946
Applications from investors	164,266	164,266	349,719	349,719
Applications from loan unit conversions	274,461	274,461	479,009	479,009
Redemptions to loan unit conversions	(378,957)	(378,957)	(649,795)	(649,795)
Redemptions to investors	(57,372)	(57,372)	(148,687)	(148,687)
Closing balance	65,590	65,590	63,192	63,192

**Loan unit class**

	<b>No. of units</b>				<b>31 December 2020</b>	
	<b>Class B</b>	<b>Class L</b>	<b>Class N</b>	<b>Class T</b>	<b>Total No. of units</b>	<b>\$'000</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	
Opening balance	99,164	494,744	-	56,174	650,082	650,082
Applications – underwriter units	459,325	-	-	-	459,325	459,325
Applications from cash units	-	378,957	-	-	378,957	378,957
Applications from Class N	-	-	5,000	-	5,000	5,000
Applications – Class T units	-	-	-	84,532	84,532	84,532
Redemptions to cash units	-	(274,460)	-	-	(274,460)	(274,460)
Redemptions – underwriter units	(435,028)	-	-	-	(435,028)	(435,028)
Redemptions – Class T units	-	-	-	(117,155)	(117,155)	(117,155)
Redemptions – Class N units	-	-	(735)	-	(735)	(735)
Closing balance	123,461	599,241	4,265	23,551	750,518	750,518

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

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

**Loan unit class**

	No. of units		Class N '000	Class T '000	30 June 2020	
	Class B '000	Class L '000			Total No. of units '000	\$'000
Opening balance	100,202	323,958	7,219	22,885	454,264	454,264
Applications – underwriter units	696,409	-	-	-	696,409	696,409
Applications from cash units	-	649,795	-	-	649,795	649,795
Applications from Class N	-	-	-	-	-	-
Applications – Class T units	-	-	-	242,238	242,238	242,238
Redemptions to cash units	-	(479,009)	-	-	(479,009)	(479,009)
Redemptions – underwriter units	(697,447)	-	-	-	(697,447)	(697,447)
Redemptions – Class T units	-	-	-	(208,949)	(208,949)	(208,949)
Redemptions – Class N units	-	-	(7,219)	-	(7,219)	(7,219)
Closing balance	99,164	494,744	-	56,174	650,082	650,082

**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 2020.

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 2020 (30 June 2020: Nil).

**13 Events subsequent to the reporting date**

Subsequent to the end of the financial year, the pandemic and its impact has continued to evolve with further outbreaks resulting in lockdown restrictions, additional border closures between states, new stimulus measures (such as Jobkeeper 2.0) and many other items. While difficult to predict the impact of the current situation on the future performance of the various markets and industries, the Manager of the Trust continues to monitor the current situation to assess the potential implications of COVID-19 on the Trust's operational and financial performance.

**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 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 2020 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 9<sup>th</sup> day of March 2021

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

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

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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 2020, 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 Mortgage Income Trusts does not give a true and fair view of the financial position of the Trust as at 31 December 2020, 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance 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. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### 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.



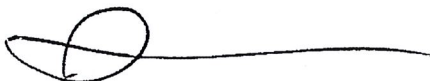
#### Auditor's responsibility

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 Trust's financial position as at 31 December 2020 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, 9 March 2021