



ZANK INCOME FUND

ABN 53 493 266 460

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

ZANK INCOME FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors of the Trustee, Vasco Investment Managers Limited present their report on the Zank Income Fund ('the Fund') for the year ended 30 June 2019.

1. Directors

The names of Directors of the Trustee in office at any time during the financial year were:

Craig Mathew Dunstan	(appointed 6 August 2009)
Fiona Jean Dunstan	(appointed 6 August 2009)
Stephen George Hawkins	(appointed 10 May 2010, retired 2 July 2019)
Jonathan William Martin	(appointed 6 August 2009)
Reginald Bancroft	(appointed 2 July 2019)

2. Principal Activities

The principal activities of the Fund are to invest in mortgage-backed loans secured by Australian real estate with the aim to generate a stable income for investors. Loans will be made to borrowers to use for business or investment purposes.

The Fund was established on 31 May 2016 and issued the first units on the commencement date of 5 July 2016.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2019 was \$1,619,815 (2018: \$1,314,877). All surplus profits are payable to the Investment Manager as a performance fee. Any deficit funds will be recovered prior to a performance fee being paid.

4. Review of Operations

During the period since inception the Fund issued 42,195,899 units of which 9,273 units have been resulted from reinvestment of distributions and 15,815,000 units have been redeemed.

During the financial year the Fund issued 18,462,719 units of which 9,273 units have been resulted from reinvestment of distributions and 8,115,000 units have been redeemed.

Vasco Funds Management Pty Limited, the Administration Manager, changed its name to Vasco Fund Services Pty Limited during the year. The Directors of the Administration Manager resolved to change the name to better reflect the activities of the company and also it is in line with industry convention. The ACN and other details remain unchanged.

On 1 March 2019 a new Information Memorandum (IM) was issued in relation to the Fund.

The Due Diligence Committee is reviewing a new Product Disclosure Statement prior to the Fund being approved by ASIC as a regulated managed investment scheme.

As at 30 June 2019, the total loans to borrowers were \$19,592,791. Interest on the loans is generally paid in advance. As a result of some interest being paid later than scheduled, the interest has been accrued and capitalised.

The loan advance for Burwood Heights was in default on 13 September 2017.

The loan advance for Maidstone was in default on 9 March 2018.

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5. Review of Performance

It is anticipated that unitholders will receive the interest return detailed in the Information Memorandum or otherwise agreed between the unitholders and the Investment Manager.

Unit Class	2019	2018
	% p.a.	% p.a.
Ordinary units	9.49%	10.31%

6. Unit Redemption Prices

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	2019	2018
	\$	\$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

The availability and timing of redemptions is subject to the terms of the Fund's Constitution.

7. Distributions Paid or Recommended

In accordance with the Information Memorandum of the Fund, distributions are payable on a quarterly basis within 10 business days after the end of each quarter. Returns payable to investors are expected to be paid in accordance with the term outlined in the Information Memorandum.

The following distributions were paid or payable for the period to 30 June 2019:

Period	Distributions Paid / Payable
1 Jul – 30 Sep 2018	\$0.0002739726 per unit per day
1 Oct – 31 Dec 2018	\$0.0002739726 per unit per day
1 Jan – 31 Mar 2019	\$0.0002739726 per unit per day
1 Apr – 30 Jun 2019	\$0.0002328767 per unit per day

The total distributions declared for the financial year were \$1,619,393 (2018: \$1,537,930).

8. Applications Held

As at 30 June 2019, the value of pending unit allocations was \$nil.

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9. Redemption Arrangements

The Fund Constitution outlines withdrawal procedures for the Fund in its current form, in the event it becomes a registered managed investment scheme and whether or not it is liquid.

Currently, unitholders have no right to withdraw from the Fund other than as determined by the Trustee in its absolute discretion and the Trustee may redeem the units of any unitholder without the need for a withdrawal request.

It is the intention of the Investment Manager to have the Fund registered as a managed investment scheme whereby the withdrawal procedures per the Fund Constitution will become more specific with respect to the suspension of withdrawals, withdrawal requests and the liquidity of the Fund.

10. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and executives of the Trustee hold no options over interests in the Fund.

11. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

12. Value of Scheme Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$28,612,420 (2018: \$17,050,262). The Net Asset Value at the end of the reporting period was \$26,380,899 (2018: \$16,033,180).

13. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

14. After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

15. Future Developments

It is intended for the Fund to change to a registered managed investment scheme during FY 20. There are no other future developments to report on which are not otherwise disclosed in this report.

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16. Indemnifying Officers or Auditor

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Trustee against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability incurred as such an officer or auditor.

17. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties

Investment management fees of \$251,174 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period. Performance fees of \$24,078 (plus GST) were accrued and payable by the Fund to the Investment Manager for the period. Performance fees on default interest of \$1,084,925 (include GST, net of RITC) were accrued by the Fund to the Investment Manager for the period and payable only if the default interest is paid.

In addition, fees of \$36,619 (plus GST) were accrued and paid by the Fund to the Administration Manager.

The Investment Manager was responsible for payment of the fees of the Trustee to 30 September 2018. Since 1 October 2018 the Fund has paid trustee fees of \$47,888 (plus GST).

18. Units held by the Trustee, Investment Manager or Related Parties

As at 30 June 2019, the Trustee or Investment Manager and their related parties held no units in the Fund.

19. Interests Issued in the Fund

	2019	2018
Opening Unit Balance	16,033,180	14,348,000
Units issued - applications	18,453,446	9,385,180
Units issued – reinvestment of distributions	9,273	-
Units redeemed	(8,115,000)	(7,700,000)
Closing Unit Balance	26,380,899	16,033,180

20. Number of Interests on Issue

As at 30 June 2019, the number of units on issue in the Fund was 26,380,899 (2018: 16,033,180).

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TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

21. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

22. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Signed in accordance with a resolution of the Board of Directors of Vasco Investment Managers Limited by:



Craig Mathew Dunstan

Director

Date: 24 September 2019

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Revenue and other income			
Bank interest	2 (a)	65,844	17,428
Loan interest income	2 (b)	1,926,311	1,991,654
Service income	2 (c)	39,050	-
Total revenue and other income		2,031,205	2,009,082
Expenses			
Investment manager fees	3	251,174	304,706
Performance fees	3	24,078	327,713
Trustee fees	4	47,888	24,112
Administration fees	4	36,619	17,958
Custodian fees	5	25,341	8,836
Other expenses	6	26,290	10,880
Total expenses		411,390	694,205
Net profit attributed to unitholders		1,619,815	1,314,877
Other comprehensive income			
Default interest income		1,087,925	-
Total other comprehensive income		1,087,925	-
Distribution expense		1,619,393	1,537,930
Performance fee on default interest		1,087,925	-
WHT where no TFN provided		422	-
Total comprehensive income for the year attributable to unitholders net of distributions		-	(223,053)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	7	9,008,428	6,838,667
Accrued loan interest income		-	190,432
Sundry debtor		-	15,535
Total current assets		9,008,428	7,044,634
Non-current assets			
Investment assets	8 (b)	19,592,791	10,005,628
Prepaid establishment costs	9	14,002	-
Less: amortisation		(2,801)	-
Total non-current assets		19,603,992	10,005,628
Total assets		28,612,420	17,050,262
Liabilities			
Prepaid interest	8 (a)	283,774	308,137
Fees payable	10	1,239,032	337,009
Other expenses payable	11	(14,124)	3,813
Settlement deposit	12	260,669	-
Distributions payable		462,170	343,161
Withholding tax payable		-	24,962
Total liabilities		2,231,521	1,017,082
Net assets		26,380,899	16,033,180
Represented by:			
Issued units	13 (a)	26,380,899	16,033,180
Undistributed profit/(loss) attributable to unitholders	13 (b)	-	-
Net assets attributable to unitholders		26,380,899	16,033,180

The accompanying notes form part of these financial statements

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or the end of the financial year.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Bank interest		65,844	15,694
Loan interest		2,113,113	2,109,360
Fees paid		(567,372)	(346,317)
Tax paid		(89,504)	(30,254)
Other expenses		303,212	(36,336)
Net cash provided by/ (used in) operating activities		<u>1,825,293</u>	<u>1,712,147</u>
Cash flows from investing activities			
Payment for investment assets		(8,502,868)	4,443,900
Net cash provided by/ (used in) investing activities		<u>(8,502,868)</u>	<u>4,443,900</u>
Cash flows from financing activities			
Proceeds from issue of units		18,462,719	9,385,179
Redemption of units		(8,115,000)	(7,700,000)
Distributions paid		(1,500,384)	(1,134,595)
Net cash provided by/ (used in) financing activities		<u>8,847,335</u>	<u>550,584</u>
Net increase/ (decrease) in cash and cash equivalents		2,169,760	6,706,631
Cash and cash equivalents at the beginning of year		6,838,667	132,036
Cash and cash equivalents at the end of year	7 (a)	<u><u>9,008,427</u></u>	<u><u>6,838,667</u></u>

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Zank Income Fund ('the Fund'). The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Investment Managers Limited, and Zank and Company Pty Ltd is appointed as the Investment Manager of the Fund.

Financial Reporting Framework

The Fund is not a reporting entity, because in the opinion of the Directors of the Trustee, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored, so as to specifically satisfy all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the Directors of the Trustee's reporting requirements under *Corporations Act 2001*.

Basis of Preparation

(a) Statement of compliance

The Fund has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. Zank Income Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Trustee on 24 September 2019.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:
Investment assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires the Directors of the Trustee to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Fair value estimation

Investment properties are carried at values that are based on assumptions and estimates. If any of these assumptions or estimates were not correct this could have a material impact on the carrying amounts in the statement of financial position

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

Fair value in an inactive or unquoted market

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund.

(ii) Categorisation

The Fund's investments are categorised as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as equity in accordance with *AASB 132 Financial Instruments: Presentation* as amended by *AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised *AASB 132*, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(c) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors of the Trustee to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(e) Comparatives

As the Zank Income Fund commenced operations in July 2016, there are comparative numbers for the year ending 30 June 2018.

(f) New accounting standards and interpretations

A number of new accounting standards and interpretation have been published, and are mandatory for the 30 June 2019 reporting period, having come into effect on the 1 January 2018:

(i) AASB9 Financial Instruments

Broadly, this standard requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met.

The introduction of the standard has not changed the measurement basis of any of the Fund's current financial instruments.

(ii) AASB 15: Revenue from contracts with customers

Broadly, this standard relates to the recognition of revenue from contracts for goods and services, including construction contracts.

While this standard does not relate to a significant portion of the Fund's holdings, to the extent that it does apply, it is not expected to change the measurement basis of any of the Fund's current financial instruments, or the valuation of the Fund's assets.

There are no pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: REVENUE

The Funds revenue may be analysed under the following categories

(a) Bank interest

	2019	2018
	\$	\$
Bank interest	65,844	17,428
	<u>65,844</u>	<u>17,428</u>

Cash on deposit is held by the Custodian (AET Corporate Trust Pty Ltd) with St. George Bank. The current interest rate paid by St. George Bank is 1.50% per annum.

(b) Loan interest income

	2019	2018
	\$	\$
Abbotsford	44,597	39,375
Airport West	201,939	444,175
Brighton	-	120,000
Golden Horse	-	12,210
Maidstone	116,469	365,078
Melton	-	396,473
Speers Point	211,152	92,216
West Melbourne	157,577	165,904
Burwood Heights	218,563	14,612
The GAP	-	255,720
Brucam	291,977	36,863
Camperdown	-	49,028
Applgold	140,856	-
Shackel	68,630	-
Park Ridge	211,419	-
MBC Property	77,422	-
Rochedale	37,695	-
Runhao Education	17,630	-
Wharf Road	130,385	-
	<u>1,926,311</u>	<u>1,991,654</u>

(c) Service income

	2019	2018
	\$	\$
Service income	39,050	-
	<u>39,050</u>	<u>-</u>

The Fund received \$30,000 as a service income for Wharf Road loan in August 2018 in addition to \$9,050 as early redemption fees.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: INVESTMENT MANAGER FEES AND PERFORMANCE FEES

	2019	2018
	\$	\$
Investment manager fees	251,174	304,706
Performance fees	24,078	327,713
	<u>275,252</u>	<u>632,419</u>

In accordance with the Supplementary Information Memorandum of the Fund, the Investment Manager is entitled to an investment manager fee equivalent to 1.5% per annum (plus GST) of the gross value of the Fund's assets on an ongoing basis, calculated monthly and payable quarterly.

The Investment Manager may be entitled to a performance fee equivalent to all surplus funds generated by the Fund after all fees, expenses, returns of capital and distributions are paid by the Fund. The performance fee is payable to Zank and Company Pty Ltd on a quarterly basis.

The Investment Manager may negotiate with unitholders on an individual basis in relation to rebates of the fees payable to the Manager. In the event rebates are offered, they will be paid by the Investment Manager (not the Trustee) and will not affect the fees paid by, or any distributions to, other unitholders.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	2019	2018
	\$	\$
Trustee fees	47,888	24,112
Administration fees	36,619	17,958
	<u>84,507</u>	<u>42,070</u>

In accordance with the Supplementary Information Memorandum, Vasco Investment Managers Limited as the Trustee of the Fund is entitled to an annual fee of 0.3% (plus GST) of the gross asset value of the Fund, paid monthly in arrears, subject to a minimum fee of \$60,000 (plus GST).

Vasco Fund Services Pty Limited as the Administration Manager of the Fund is entitled to an annual administration fee of \$38,587.50 (plus GST) from 1 April 2019. The administration fee will increase by 5% on 1 January of each year.

NOTE 5: CUSTODIAN FEES

	2019	2018
	\$	\$
Custodian fees	25,341	8,836
	<u>25,341</u>	<u>8,836</u>

In accordance with the Custodian Agreement, AET Corporate Trust Pty Ltd as the custodian is entitled to an annual fee of \$25,000 (plus GST) when the Fund has a Gross Asset Value of less than \$50 million, calculated and payable quarterly in arrears.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: OTHER EXPENSES

	2019	2018
	\$	\$
Tax return fees	2,300	2,500
Bank fees	127	479
GST expense (non-claimable)	10,844	14,217
Valuation fees	-	2,583
Redemption transactions charge	-	(19,444)
Default Management fee	457	-
Legal fees	5,225	-
Other administration expense	4,537	-
Establishment fees	2,800	-
	<u>26,290</u>	<u>10,880</u>

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank

	2019	2018
	\$	\$
St. George Bank	9,008,428	6,838,667
	<u>9,008,428</u>	<u>6,838,667</u>

NOTE 8: INVESTMENTS

(a) Prepaid interest

	2019	2018
	\$	\$
Brucam	71,836	308,137
Shackel	8,726	-
Park Ridge 96 and 98	42,542	-
MBC Property	47,578	-
Rochedale	639	-
Runhao Education	79,870	-
Park Ridge 94	32,583	-
	<u>283,774</u>	<u>308,137</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: INVESTMENTS (continued)

(b) Investment assets

As at 30 June 2019, the total value of loans to borrowers was \$19,596,421. The interest on loans is generally paid in advance. The section below summarises the current status of the loan investments:

	2019	2018
	\$	\$
Loan advance - Abbotsford	-	250,000
Loan advance - Airport West	2,291,280	2,139,628
Loan advance - Golden Horse	-	21,000
Loan advance - Maidstone	3,271,661	2,380,000
Loan advance - Speers Point	-	520,000
Loan advance - West Melbourne	-	1,295,000
Loan advance - Burwood Heights	244,817	1,100,000
Loan advance - Brucam	2,300,000	2,300,000
Loan advance - Applgold	-	-
Loan advance - Shackel	1,400,000	-
Loan advance - Park Ridge 96 and 98	4,062,500	-
Loan advance - MBC Property	2,287,363	-
Loan advance - Rochedale	2,000,000	-
Loan advance - Runhao Education	1,735,170	-
	19,592,791	10,005,628

NOTE 9: PREPAID EXPENSES AND AMORTISATION

	2019	2018
	\$	\$
Prepaid establishment cost	14,002	-
Less: amortisation	(2,801)	-
	11,201	-

NOTE 10: FEES PAYABLE

	2019	2018
	\$	\$
Performance fees payable	101,024	327,713
Custodian fees payable	12,496	6,233
Administration fees payable	-	3,063
Investment manager fees payable	29,644	-
Trustee fees payable	7,943	-
Performance fees payable on default interest	1,087,925	-
	1,239,032	337,009

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: OTHER EXPENSES PAYABLE

	2019	2018
	\$	\$
Sundry creditor	-	3,914
RITC receivable	(29,579)	(36,552)
Provision for tax return fees	2,500	2,500
Other accrued fees	12,955	33,951
	<u>(14,124)</u>	<u>3,813</u>

NOTE 12: SETTLEMENT DEPOSIT

A deposit was received from the sale of the Maidstone property to be applied against the Maidstone loan. As the deposit was refundable it is held as a liability until settlement occurs.

NOTE 13: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2019	2018
	\$	\$
Opening balance	16,033,180	14,348,000
Redemptions	(8,115,000)	(7,700,000)
Units issued – applications	18,453,446	9,385,180
Units issued – reinvestment of distributions	9,273	-
Closing balance	<u>26,380,899</u>	<u>16,033,180</u>

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

(b) Undistributed profit/(loss) attributable to unitholders

	2019	2018
	\$	\$
Opening balance	-	223,053
Net operating profit/ (loss) attributable to unitholders	1,619,393	1,314,877
Distributions paid	(1,157,223)	(1,194,769)
Distributions payable	(462,170)	(343,161)
Closing balance	<u>-</u>	<u>-</u>

Withholding taxes applicable to the distributions payable during the 2019 financial year were \$93,497. Total distributions payable for the financial year were \$1,619,393.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

(c) Capital management

The Fund regards total unitholders' interests as capital. The objective of the Fund is to invest in mortgage-backed loans secured by Australian real estate with the aim to generate a stable income for investors. Loans will be made to borrowers to use for business or investment purposes.

The Investment Manager aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions.

NOTE 14: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Trustee

Vasco Investment Managers Limited is the Trustee of Zank Income Fund.

The Investment Manager was responsible for payment of the fees of the Trustee until 30 September 2018. From 1 October 2018, fees of \$44,877 have been paid by the Fund of which \$3,366 is claimable as RITC.

(b) Investment Manager

The Investment Manager of the Zank Income Fund is Zank and Company Pty Ltd.

Fees of \$251,174 (plus GST) were accrued and paid by the Fund to Zank and Company Pty Ltd for its role as Investment Manager for the period, of which \$18,838 is claimable by the Fund as RITC.

Performance fees of \$24,078 (plus GST) were accrued and payable by the Fund to Zank and Company Pty Ltd for its role as Investment Manager for the period.

At 30 June 2019, the Investment Manager and their related parties held no units in the Fund.

(c) Administration Manager

The Administration Manager of the Zank Income Fund is Vasco Fund Services Pty Limited.

Administration fees of \$36,619 (plus GST) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which \$2,746 is claimable by the Fund as RITC.

The Administration Manager has changed its name to Vasco Fund Services Pty Limited to better reflect the activities of the company as well as to keep in line with industry conventions. The ACN and other details remain unchanged.

Vasco Fund Services Pty Limited is a related party of the Trustee.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Investment Managers Limited, and an Investment Manager, Zank And Company Pty Ltd, to manage the activities of the Fund. The Directors of the Trustee and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Trustee or Investment Manager. Payments made by the Fund to the Trustee and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

ZANK INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no events subsequent to the reporting date that require additional disclosure.

NOTE 17: FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund holds investments in mortgage-backed loans, which are not considered to be assets that are readily realisable.

In order to address this risk, the Trustee retains broad discretion to restrict distributions, withdrawals and/or redemptions.

(b) Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial and loan assets recognized at the reporting date.

The Investment Manager manages the exposure to credit risk on an ongoing basis.

NOTE 18: TRUSTEE DETAILS

The registered office and the principal place of business of the Trustee are:

Vasco Investment Managers Limited

Level 5

488 Bourke Street

Melbourne Victoria 3000

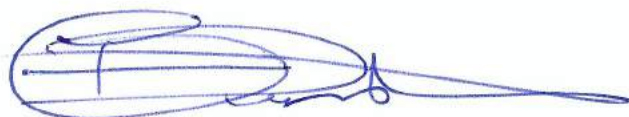
ZANK INCOME FUND

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Investment Managers Limited:

- (a) The financial statements and notes of Zank Income Fund are in accordance with the *Corporations Act 2001*, including
 - (i) Giving a true and fair view of its financial position as at 30 June 2019 and its performance for this financial year ended on that date; and
 - (ii) Complying with Australian Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that Zank Income Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Craig Mathew Dunstan

Director

24 September 2019