



## **ZANK INCOME FUND**

ARSN 637 888 307

FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2021

**ZANK INCOME FUND**  
**ARSN 637 888 307**  
**RESPONSIBLE ENTITY REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

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**ZANK INCOME FUND**  
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**RESPONSIBLE ENTITY REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

Effective 7 January 2022, Vasco Trustees Limited retired as Responsible Entity and appointed Vasco Responsible Entity Services Limited as Responsible Entity for the Zank Income Fund.

The Directors of the Responsible Entity, Vasco Responsible Entity Services Limited present their report on the Zank Income Fund ('the Fund') for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001* the Directors report is as follows:

**1. Directors of Vasco Trustees Limited**

The names of Directors of the Responsible Entity in office at any time during the half-year were:

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

**Directors of Vasco Responsible Entity Services Limited**

The names of Directors in office at any time during the half-year were:

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

**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 half-year ended 31 December 2021 was \$2,088,531 (31 December 2020: \$1,760,743).

**4. Review of Operations**

During the period since inception, the Fund has issued 98,320,513 (30 June 2021: 84,851,085) units, of which 601,208 (30 June 2021: 497,439) units have resulted from the reinvestment of distributions, and 43,973,984 (30 June 2021: 32,506,056) units have been redeemed.

During the half-year ended 31 December 2021, 13,469,428 (30 June 2021: 19,192,560) units have been issued, including 103,769 units as a result of reinvestment of distributions, and 11,467,928 (30 June 2021: 10,338,672) units have been redeemed.

As at 31 December 2021, the total value of loans to borrowers was \$65,385,913 (30 June 2021: \$54,045,066). 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.

During the half-year one loan that is in default has a mortgage as security. A default notice is to be issued for the loan in January with the property expected to be sold as mortgagee in possession.

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**Review of Operations (continued)**

In early 2021, the Zank Select Investment Fund was established. The trustee of the Zank Select Investment Fund is a related party of the Investment Manager. It is anticipated that from time to time the Zank Income Fund may enter into Loan Sub Participation Agreements with the Zank Select Investment Fund. As at 31 December 2021 the Zank Income Fund has entered into Loan Sub Participation Agreements with loans to six borrowers.

The Fund has entered into a 'Deed of Indemnity' with the Investment Manager, for the Investment Manager to indemnify the Fund to satisfy the commitments it has undertaken pursuant to the Investment Managers' Investment Strategy.

One of the loans held by the Fund defaulted on its repayment obligations. During the recovery process, the Fund obtained a valuation of the property in anticipation of selling the property as the mortgagee in possession. The valuation report stated that the property had a fair value of \$3,275,000 less than the principal amount. In order to guarantee recovery of any potential capital loss, the Investment Manager has provided a Corporate Guarantee and Indemnity to the Fund. The Investment Manager has also agreed to forgo 30% of future management fees and 100% of future performance fees until the principal has been recovered. Should at a later date the Fund recover a portion of the loan that the Investment Manager has already contributed, such amounts will be reimbursed to the Investment Manager.

**5. Distributions Paid or Recommended**

In accordance with the Product Disclosure Statement of the Fund, distributions, if any, 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 Product Disclosure Statement.

The following distributions were paid or payable for the period to 31 December 2021:

Period	Distributions Paid / Payable
1 Jul – 30 Sep 2021	0.0002191781 per unit per day
1 Oct – 31Dec 2021	0.0002191781 per unit per day

The total distributions declared for the half-year ended 31 December 2021 were \$2,088,531. (31 December 2020: \$1,760,743).

**6. Redemption Arrangements**

As detailed in the Fund's Constitution, the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders.

**7. 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 Responsible Entity hold no options over interests in the Fund.

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**8. Proceedings on Behalf of the Fund**

During the half-year, for one of the loans that was in default, a Mortgagee in Possession process commenced, whereby the secured property was to be auctioned. The Borrower, subsequently lodged a complaint with the Australian Financial Complaints Authority (AFCA). AFCA dismissed the complaint on the grounds that it was outside of their jurisdiction. In September 2021, the Borrower lodged a subsequent complaint with AFCA which prohibited further action in regards to the Mortgagee in Possession process, until the matter could be considered. The Ombudsman was approached and granted approval for the 'Mortgagee in Possession' process to continue.

There have been no other proceedings during the financial year, and no person has applied to the court for leave to bring other proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party.

**9. Value of Scheme Assets**

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$76,457,248 (30 June 2021: \$65,082,725). The Net Asset Value at the end of the reporting period was \$54,346,527 (30 June 2021: \$52,345,026).

**10. 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.

**11. After Balance Date Events**

A deed of Retirement and Appointments was entered into in January 2022, whereby, Vasco Trustees Limited retired as Responsible Entity and appointed Vasco Responsible Entity Services Limited as Responsible Entity for the Zank Income Fund.

The Responsible Entity of the Fund acknowledges that as a result of COVID-19, and as observed in the half-year ended 31 December 2021, there is uncertainty surrounding the property market which may result in a decline in the fair value of the properties, particularly those in the Melbourne Metropolitan area, that are secured against the Fund's loan book. Due to a limitation on available relevant market data, it is not possible to estimate the level of any decline in fair value, and therefore any impact on the Fund's expected credit loss provision, as at the date of this report.

No other matters or circumstances have arisen since the end of the half-year which have 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.

**12. Future Developments**

There are no future developments to report on which are not otherwise disclosed in this report.

**13. Indemnifying Officers or Auditor**

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Responsible Entity 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 Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

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**Indemnifying Officers or Auditor (continued)**

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

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

**14. Units held by the Responsible Entity, Investment Manager or Related Parties**

As at 31 December 2021, the Responsible Entity or Investment Manager and their related parties held no units in the Fund.

**15. Interests in the Fund**

The movement of units on issue in the Fund during the half-year is set out in Note 6 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 1 to the financial statements.

**16. 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.

**17. Lead auditor's declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the half-year ended 31 December 2021.

Signed in accordance with a resolution of the Board of Directors of Vasco Responsible Entity Services Limited by:

*Craig Dunstan*

**Craig Dunstan**

Director

Date: 14 April 2022

**Auditor's Independence Declaration to the Directors of the Responsible Entity**

In accordance with section 307C of the *Corporations Act 2001* (the Act), in relation to our review of the financial report of Zank Income Fund for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Act; and
- (b) no contraventions of any applicable code of professional conduct.



**PKF**  
**Melbourne, 14 April 2022**



**Steven Bradby**  
**Partner**

# ZANK INCOME FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Half-year ended 31 December 2021 \$	Half-year ended 31 December 2020 \$
<b>Revenue and other income</b>			
Bank interest	2 (a)	-	5,984
Loan interest income	2 (b)	3,008,360	2,167,378
Loan default interest income		282,873	203,038
<b>Total revenue and other income</b>		<b>3,291,233</b>	<b>2,376,400</b>
<b>Expenses</b>			
Investment manager fees		149,578	153,028
Responsible Entity fees		105,698	68,789
Administration fees		26,688	20,258
Custodian fees		12,981	15,307
Audit fees		7,000	14,000
Sub-participation interest expense	3	714,297	-
Other expenses		34,159	69,405
Performance Fee, based on default interest		282,873	203,038
Reimbursement from the Investment manager		(130,572)	71,832
<b>Total expenses</b>		<b>1,202,702</b>	<b>615,657</b>
<b>Operating profit attributed to unitholders</b>		<b>2,088,531</b>	<b>1,760,743</b>
Distribution expense		2,088,531	1,760,743
<b>Total comprehensive income for the period attributable to unitholders net of distributions</b>		<b>-</b>	<b>-</b>



# ZANK INCOME FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	31 December 2021 \$	30 June 2021 \$
<b>Current assets</b>			
Cash and cash equivalents		7,643,350	7,559,633
Accrued loan interest income		295,730	159,047
Reduced Input Tax Credit receivable		28,509	15,125
Investment asset current	5	42,702,167	29,101,087
<b>Total current assets</b>		<b>50,669,756</b>	<b>36,834,892</b>
<b>Non-current assets</b>			
Investment assets non-current	5	22,683,746	24,943,979
Investment Manager guarantee	4	3,225,448	3,275,000
Prepaid establishment costs		39,579	28,855
<b>Total non-current assets</b>		<b>25,948,773</b>	<b>28,247,834</b>
<b>Total assets</b>		<b>76,618,529</b>	<b>65,082,726</b>
<b>Current liabilities</b>			
Prepaid interest		1,340,575	635,911
Sub-Participation interest expense payable	3	373,320	19,984
Fees payable		1,186,548	877,422
Zank Select sub-participation loans- current		12,800,000	4,000,000
Distributions payable		1,071,559	1,004,383
<b>Total current liabilities</b>		<b>16,772,002</b>	<b>6,537,700</b>
<b>Non-current liabilities</b>			
Zank Select sub-participation loans- non-current		5,500,000	6,200,000
<b>Total non-current liabilities</b>		<b>5,500,000</b>	<b>6,200,000</b>
<b>Total liabilities</b>		<b>22,272,002</b>	<b>12,737,700</b>
<b>Net assets</b>		<b>54,346,527</b>	<b>52,345,026</b>
<b>Represented by:</b>			
Issued units	6 (a)	54,346,527	52,345,026
Undistributed profit/(loss) attributable to unitholders	6 (b)	-	-
<b>Net assets attributable to unitholders</b>		<b>54,346,527</b>	<b>52,345,026</b>

# ZANK INCOME FUND

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Issued Capital \$	Total \$
<b>Balance at 1 July 2021</b>		<b>52,345,026</b>	<b>52,345,026</b>
Issue of share capital		2,001,500	2,001,500
Total comprehensive income for the period		2,088,531	2,088,531
Distributions for the period		(2,088,531)	(2,088,531)
<b>Balance at 31 December 2021</b>	<b>6 (a)</b>	<b>54,346,527</b>	<b>54,346,527</b>

	Notes	Issued Capital \$	Total \$
<b>Balance at 1 July 2020</b>		<b>43,491,141</b>	<b>43,491,141</b>
Issue of share capital		5,048,023	5,048,023
Total comprehensive income for the period		1,760,743	1,760,743
Distributions for the period		(1,760,743)	(1,760,743)
<b>Balance at 31 December 2020</b>	<b>6 (a)</b>	<b>48,539,161</b>	<b>48,539,161</b>

## ZANK INCOME FUND

### STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Half-year ended 31 December 2021 \$	Half-year ended 31 December 2020 \$
<b>Cash flows from operating activities</b>			
Bank interest		-	5,984
Loan interest		2,967,549	1,816,120
Fees paid		(216,831)	(252,013)
Tax paid		(48,056)	(58,084)
Other expenses		(506)	(117)
Net cash provided by operating activities		<u>2,702,156</u>	<u>1,511,890</u>
<b>Cash flows from investing activities</b>			
Payment for the purchase of investment assets		(10,383,352)	(6,498,773)
Net cash used in investing activities		<u>(10,383,352)</u>	<u>(6,498,773)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		13,365,659	13,642,000
Payment for the redemption of units		(11,467,928)	(8,738,672)
Distributions paid		(1,871,857)	(1,499,279)
Sub-participation		8,100,000	-
Interest expense		(360,691)	-
Net cash provided by financing activities		<u>7,764,913</u>	<u>3,404,049</u>
Net increase/ (decrease) in cash and cash equivalents		83,717	(1,582,834)
Cash and cash equivalents at the beginning of period		7,559,633	10,043,437
<b>Cash and cash equivalents at the end of period</b>		<u><u>7,643,350</u></u>	<u><u>8,460,603</u></u>

## ZANK INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

#### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The financial report is for the Zank Income Fund ('the Fund'). The Fund is a retail registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Responsible Entity Services Limited, and Zank and Company Pty Ltd is appointed as the Investment Manager of the Fund.

##### Basis of Preparation

###### (a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with AASB 134 *"Interim Financial Reporting"* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International financial reporting standard IAS 34 *"Interim Financial Reporting"*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Zank Income Fund is a for-profit entity for the purpose of preparing the financial statements.

###### (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) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors of the Responsible Entity to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### ***Allowance for expected credit losses***

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, which is based on any loans where the loan to value ratio is more than 70%, where the value is represented by the independent valuation of any land, property or construction secured against the loan. These assumptions include recent default experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

## **ZANK INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

#### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(e) New, revised or amending Accounting Standards and Interpretations adopted**

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

##### **(f) Change in Accounting Policies**

During the period there was a change in accounting policy and the reporting of the Sub-Participation Loan Agreement whereby the financial statements of Zank Income Fund disclose such a loan to the borrower as an asset, and Zank Select Investment Fund's contribution to the loan as a liability. Zank Income Fund has no obligation to make any payment to Zank Select Investment Fund unless and until principal or interest is received by Zank Income Fund from or on behalf of the borrower pursuant to the finance documents. As a result, the Gross Assets and Liabilities have increased by \$10,200,000 as at 30 June 2021, without impacting the Net Asset Value.

With the exception of the above, the accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2021.

## ZANK INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

#### NOTE 2: REVENUE

The Fund's revenue is analysed under the following categories

##### (a) Bank interest

	Half-year ended 31 December 2021	Half-year ended 31 December 2020
	\$	\$
Bank interest	-	5,984
	<u>-</u>	<u>5,984</u>

Cash on deposit is held by the Custodian (Perpetual Corporate Trust Limited) with Commonwealth Bank.

##### (b) Loan interest income

	Half-year ended 31 December 2021	Half-year ended 31 December 2020
	\$	\$
Loan interest income	3,008,360	2,167,378
	<u>3,008,360</u>	<u>2,167,378</u>

#### NOTE 3: SUB-PARTICIPATION INTEREST EXPENSE

The Fund has engaged with the Zank Select Investment Fund, which has become sub-participant on certain loans held by the Fund. The interest expense of the Fund on certain loans payable to the sub-participant is disclosed below:

	Half-year end 31 December 2021	Half-year end 31 December 2020
	\$	\$
Zank Select Loan - Capel Sound	437,137	-
Zank Select Loan - Kirrawee	54,082	-
Zank Select Loan - Eltham Oak	57,945	-
Zank Select Loan -Prospect	32,467	-
Zank Select Loan -Melton East (Creffly-Paynes Rd)	19,853	-
Zank Select Loan -Melton East (Creffly 996)	26,897	-
Zank Select Loan - Lecky Road	85,916	-
	<u>714,297</u>	<u>-</u>

#### NOTE 4: INVESTMENT MANAGER GUARANTEE

One of the loans held by the Fund defaulted on its repayment obligations on 02 September 2020. During the recovery process, the Fund obtained a valuation of the property in anticipation of selling the property as the mortgagee in possession. The valuation report stated that the property had a fair value of \$3,275,000 less than the principal amount. As at 31 December 2021, the value on book was \$3,225,448. In order to guarantee recovery of any potential capital loss, the Investment Manager has provided a Corporate Guarantee and Indemnity to the Fund. The Investment Manager has also agreed to forgo 30% of future management fees and 100% of future performance fees until the principal has been recovered. Should at a later date the Fund recover a portion of the loan that the Investment Manager has already contributed, such amounts will be reimbursed to the Investment Manager.

## ZANK INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

#### NOTE 5: INVESTMENTS

As at 31 December 2021, the total value of loans to borrowers was \$65,385,913. The interest on loans is generally paid in advance. The section below summarises the current status of the loan investments:

	31 December 2021	30 June 2021
	\$	\$
Investment assets – loan advance	65,385,913	54,045,066
	<b>65,385,913</b>	<b>54,045,066</b>

#### NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

##### (a) Issued units in \$

	31 December 2021			30 June 2021	
	Units	\$		Units	\$
Opening balance	52,345,029	52,345,026		43,491,141	43,491,139
Redemptions	(13,967,928)	(13,967,928)		(12,083,539)	(12,083,539)
Units issued – applications	15,865,659	15,865,659		20,641,867	20,641,867
Units issued – reinvestment of distributions	103,769	103,769		295,560	295,560
<b>Closing balance</b>	<b>54,346,529</b>	<b>54,346,526</b>		<b>52,345,029</b>	<b>52,345,027</b>

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. For distributions that have reinvested during the period, units have been rounded to the nearest whole unit in accordance with the Responsible Entity's Unit Pricing Policy.

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

	31 December 2021	30 June 2021
	\$	\$
Opening balance	-	-
Net operating profit attributable to unitholders	2,088,531	3,726,062
Distributions paid	(1,016,972)	(2,721,679)
Distributions payable	(1,071,559)	(1,004,383)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

Withholding taxes applicable to the distributions payable during the half-year ended 31 December 2021 were \$2,328 (30 June 2021: \$0)

Total distributions payable at period end were \$1,071,559 (30 June 2021: \$1,004,383).

## **ZANK INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

#### **NOTE 6: 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 7: 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) Responsible Entity**

Vasco Trustee Limited is the Responsible Entity of Zank Income Fund as of 31 December 2021.

Fees of \$74,526, (31 December 2020: \$61,964) have been paid by the Fund to Vasco Trustees Limited for its role as Responsible Entity, of which \$4,099 (31 December 2020: \$3,408) is claimable as RITC.

##### **(b) Investment Manager**

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

Fees of \$131,281 (plus GST) (31 December 2020: \$162,186 (plus GST)) were paid by the Fund to Zank and Company Pty Ltd for its role as Investment Manager for the period, of which \$8,951 (31 December 2020: \$12,164) is claimable by the Fund as RITC.

There were no performance fees payable by the Fund to Zank and Company Pty Ltd for its role as Investment Manager for the period.

The Investment Manager agreed to waive part of its management fee for the period as a reimbursement to the Fund, totaling \$115,151 (31 December 2020: \$71,832), in order to keep the Fund's unit price at \$1.

At 31 December 2021, 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 \$19,266 (plus GST) (31 December 2020: \$22,284 (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 \$1,445 (31 December 2020: \$1,519) is claimable by the Fund as RITC.

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



## **ZANK INCOME FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

#### **NOTE 7: RELATED PARTY TRANSACTIONS (continued)**

##### **(d) Key management personnel**

The Fund does not employ personnel in its own right. However, it has incorporated the Responsible Entity, Vasco Trustees Limited, and an Investment Manager, Zank and Company Pty Ltd, to manage the activities of the Fund. The Directors of the Responsible Entity 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 Responsible Entity or Investment Manager. Payments made by the Fund to the Responsible Entity and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

#### **NOTE 8: CONTINGENT LIABILITIES**

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

#### **NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE**

The Responsible Entity of the Fund acknowledges that as a result of COVID-19, and as observed in the half-year ended 31 December 2021, there is uncertainty surrounding the property market which may result in a decline in the fair value of the properties, particularly those in the Melbourne Metropolitan area, that are secured against the Fund's loan book. Due to a limitation on available relevant market data, it is not possible to estimate the level of any decline in fair value, and therefore any impact on the Fund's expected credit loss provision, as at the date of this report.

No other matters or circumstances have arisen since the end of the financial year which have 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.

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

#### **NOTE 10: RESPONSIBLE ENTITY DETAILS**

The registered office and the principal place of business of the Responsible Entity are:

Vasco Responsible Entity Services Limited

Level 4

99 William Street

Melbourne Victoria 3000

## ZANK INCOME FUND

### DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Responsible Entity Services Limited:

- (a) The financial statements and notes of Zank Income Fund are in accordance with the *Corporations Act 2001*, including
  - (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting obligations; and
  - (ii) Giving a true and fair view of its financial position as at 31 December 2021 and its performance for the half year ended on that date;
- (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 of the Responsible Entity.



**Craig Dunstan**

Director

14 April 2022

**Independent Auditor's Review Report to the Members of Zank Income Fund and the Directors of the Responsible Entity****Conclusion**

We have reviewed the accompanying half-year financial report of Zank Income Fund (the Fund), which comprises the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 half-year financial report of Zank Income Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial position of the Fund as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with the Australian 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Fund 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 review of the half-year financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Directors' Responsibilities of the directors of the Responsible Entity 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 is free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that causes us to 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 Fund's financial position as at 31 December 2021 and its financial 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.



**PKF**  
**Melbourne, 14 April 2022**



**Steve Bradby**  
**Partner**