



ZANK INCOME FUND

ABN 53 493 266 460

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

ZANK INCOME FUND
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018.

1. Directors

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

Craig Mathew Dunstan (appointed 6 August 2009)

Fiona Jean Dunstan (appointed 6 August 2009)

Stephen George Hawkins (appointed 10 May 2010)

Jonathan William Martin (appointed 6 August 2009)

The Directors have been in office since the transfer of the Trustee role from Kehlmann Berleys Capital Pty Ltd (previous Trustee) to Vasco Investment Managers Limited (new Trustee) on 1 November 2017 to the date of this report unless otherwise stated.

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 2018 was \$1,314,877 (2017: \$1,044,295). 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 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.

5. Unit Redemption Prices

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

	2018 \$	2017 \$
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.

Fees may apply upon redemption.

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6. Review of Operations

During the period the Fund issued 9,385,180 units with 7,700,000 units having been redeemed.

On 1 November 2017, Vasco Investment Managers Limited was appointed as the Trustee of the Fund and Kehlmann Berleys Capital Pty Ltd retired from the role. On 6 February 2018, a Supplementary Deed Poll was issued and the Fund's name was changed from Kehlmann Berleys Capital Income Fund to Zank Income Fund. A Supplementary Information Memorandum (IM) was issued on 26 April 2018 to inform investors of certain changes to the Fund including the change of Trustee and the appointments of a Custodian and a Fund Administrator. Additionally, the Supplementary Information Memorandum noted the replacement of the Fund Constitution along with the salient changes therein including the addition of flexibility to enable the Fund to become a registered managed investment scheme, updated Trustee and Administration fees and the introduction of an income distributions cap.

As at 30 June 2018, the total loans to borrowers were \$10,005,628. 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 the total accrued interest was \$190,432 as at 30 June 2018.

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 have been paid or are payable for the financial year to 30 June 2018:

Period	Distributions Paid / Payable
1 Jul – 30 Sep 2017	AU\$433,880
1 Oct – 31 Dec 2017	AU\$394,167
Distribution paid with redemption 1	AU\$27,891
1 Jan – 31 Mar 2018	AU\$336,409
Distribution paid with redemption 2	AU\$2,422
1 Apr – 30 Jun 2018	AU\$343,161

The total distributions declared for the financial year were \$1,537,930 (2017: \$821,242).

Distributions paid include an amount of \$30,313 as distributions paid to investors who redeemed their units in the middle of the distribution period of the December quarter 2017 and the March quarter 2018.

8. Applications Held

At 30 June 2018, the value of pending applications 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

The Trustee entered into a Limited Custodian Agreement with Kehlmann Berleys Capital Pty Ltd to enable them to continue an action in the Supreme Court of New South Wales relating to the recovery of a \$1,100,000 debt from a borrower. Kehlmann Berleys Capital Pty Ltd became entitled to possession of a property over which a mortgage was granted by virtue of an order entered by the Court on 21 May 2018 and have appointed McGrathNicol to exercise this right on their behalf.

A second borrower is also in default and court proceedings are expected to commence in the coming months to recover an amount outstanding in the vicinity of \$520,000.

12. Value of Scheme Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$17,050,262 (2017: \$14,581,564). The Net Asset Value at the end of the reporting period was \$16,033,180 (2017: \$14,571,053).

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

It is the intention of the Investment Manager to register the Fund as a managed investment scheme to enable it to attract retail as well as wholesale investors. This will require the adoption of a new Constitution and the lodgement of the Constitution and a new Compliance Plan with the Australian Securities and Investments Commission. The new Constitution will contain clauses relevant for a registered fund. There are significant regulatory requirements and additional costs the Fund must meet in order to be and remain registered.

No other 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.

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15. 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 against a liability incurred as such an officer or auditor.

16. Future Developments

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

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

Investment management fees of \$304,706 (plus GST) were accrued and paid by the Fund to the Investment Manager for the period. Performance fees of \$327,713 (plus GST) were accrued and payable by the Fund to the Investment Manager for the period.

In addition fees of \$17,958 (plus GST) were accrued and paid by the Fund to the Administration Manager.

The Investment Manager is responsible for payment of the fees of the Trustee.

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

At 30 June 2018, the Investment Manager or their related parties held 180,000 units in the Fund.

19. Interests Issued in the Fund

During the financial year 9,385,180 units were issued. Redemptions totaled 7,700,000 for the period.

20. Number of Interests on Issue

At 30 June 2018, the number of units on issue in the Fund was 16,033,180 (2017: 14,348,000)

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.

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22. Environmental Regulation

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

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



Craig Mathew Dunstan

Director

Date: 27 September 2018

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue and other income			
Bank interest	2 (b)	17,428	-
Loan interest income	3 (a)	1,991,654	1,200,904
Total revenue and other income		2,009,082	1,200,904
Expenses			
Management fees	7	304,706	126,141
Trustee fees	8	24,112	30,215
Administration fees	8	17,958	-
Custodian fees	9	8,836	-
Other administration expenses	10	10,880	253
Performance fees	7	327,713	-
Total expenses		694,205	156,609
Operating profit/(loss) before finance costs attributable to unitholders		1,314,877	1,044,295
Finance costs attributable to unitholders			
Distributions to unitholders		1,537,930	821,242
Total comprehensive income		(223,053)	223,053

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	2 (a)	6,838,667	132,036
Accrued investment income	3 (a)	190,432	-
Sundry debtor	2 (c)	15,535	-
Total current assets		7,044,634	132,036
Non-current assets			
Investment assets	3 (b)	10,005,628	14,449,528
Total non-current assets		10,005,628	14,449,528
Total assets		17,050,262	14,581,564
Liabilities			
Fees payable	4	337,009	-
Administration expenses payable	5	3,813	-
Distributions payable		343,161	14,242
Withholding tax payable		24,962	(3,731)
Prepaid interest	3 (a)	308,137	-
Total liabilities		1,017,082	10,511
Net assets		16,033,180	14,571,053
Represented by:			
Issued units	6 (a)	16,033,180	14,348,000
Undistributed profit/(loss) attributable to unitholders	6 (b)	-	223,053
Net assets attributable to unitholders		16,033,180	14,571,053

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Bank interest		15,694	-
Loan interest		1,801,223	1,200,904
Fees paid		(346,317)	(156,356)
Tax paid		(30,254)	(3,731)
Other expenses		(36,336)	(254)
Distributions paid		(1,134,595)	(806,999)
Prepaid interest		308,137	-
Net cash provided by/(used in) operating activities	11	<u>577,552</u>	<u>233,564</u>
Cash flows from investing activities			
Payment for investment assets		4,443,900	(14,449,528)
Net cash provided by/ (used in) investing activities		<u>4,443,900</u>	<u>(14,449,528)</u>
Cash flows from financing activities			
Proceeds from units issued		9,385,179	14,348,000
Redemption of units		(7,700,000)	-
Net cash provided by/ (used in) financing activities		<u>1,685,179</u>	<u>14,348,000</u>
Net increase/ (decrease) in cash and cash equivalents		6,706,631	132,036
Cash and cash equivalents at the beginning of year		132,036	-
Cash and cash equivalents at the end of year	2 (a)	<u>6,838,667</u>	<u>132,036</u>

The accompanying notes form part of these financial statements

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

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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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the entity Zank Income Fund ('the Fund') as an individual entity. 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.

On 10 October 2017, a Deed of Appointment and Retirement was executed pursuant to a meeting of unitholders to appoint Vasco Investment Managers Limited as the Trustee of the Fund. This Deed was executed in accordance with the requirements of the previous Constitution 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

The financial report is a special purpose financial report that has been prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards (including Australian Accounting Interpretations), and the disclosure requirements of *AASB 101: Presentation of Financial Statements*, *AASB 107: Statement of cash flows* and *AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors*, the *Corporations Act 2001 (Cth)* and the Fund's Constitution.

The functional and presentation currency of the Fund is Australian dollars.

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 estimate future selling costs. Financial assets are priced at current bid prices on the reporting date, while financial liabilities are priced at current offer prices.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 a previous financial year, there are comparative numbers for the year ending 30 June 2017.

(f) New accounting standards and interpretations

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

- (i) AASB 9 *Financial Instruments*
- (ii) AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*
- (iii) AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments - Part C*
- (iv) AASB 2014-1 *Amendments to Accounting Standards*

Broadly, these new standards require all financial instruments to measured at fair value unless the criteria for amortised cost are met.

The introduction of the standard is not expected to change the measurement basis of any of the Fund's current financial instruments.

- (v) AASB 15: *Revenue from contracts with customers*

Broadly, this new 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 other pending standards that are relevant to the Fund in the current or future reporting periods as at the issue date of this report.

NOTE 2: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2018	2017
	\$	\$
St. George Bank	6,838,667	-
ANZ Bank	-	132,036
	<u>6,838,667</u>	<u>132,036</u>

(b) Bank interest income

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

(c) Sundry Debtor

Sundry debtor includes the overpayment of trustee fees paid to the previous Trustee for November and December 2017. It also includes the bank interest owed by the Investment Manager as a result of the late transfer for the loan principal paid to the Investment Manager. In addition, it includes the withholding tax to be reimbursed by the Investment Manager.

NOTE 3: INVESTMENT ASSETS

(a) Investment income

The Fund makes loans with different interest rates and terms.

(b) Investment held

As at 30 June 2018, the total value of loans to borrowers was \$10,005,628. The interest of loans is generally paid in advance. The section below summarises the current status of the loan investments:

	2018	2017
	\$	\$
Loan advance - Abbotsford	250,000	250,000
Loan advance - Airport West	2,139,628	2,020,028
Loan advance - Golden Horse	21,000	111,000
Loan advance - Maidstone	2,380,000	2,380,000
Loan advance - Speers Point	520,000	520,000
Loan advance - West Melbourne	1,295,000	1,295,000
Loan advance - Burwood Heights	1,100,000	1,100,000
Loan advance - Brucam	2,300,000	-
Loan advance - Melton	-	3,000,000
Loan advance - The Gap	-	1,956,000
Loan advance - Brighton	-	1,200,001
Loan advance - Camperdown	-	617,500
	10,005,628	14,449,529

NOTE 4: FEES PAYABLE

	2018	2017
	\$	\$
Performance fees payable	327,713	-
Custodian fees payable	6,233	-
Administration fees payable	3,063	-
	337,009	0

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: ADMINISTRATION EXPENSES PAYABLE

	2018	2017
	\$	\$
Sundry creditor	3,914	-
GST payable/(receivable)	(36,552)	-
Provision for tax return fees	2,500	-
Other accrued fees	33,951	-
	<u>3,813</u>	<u>0</u>

NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2018	2017
	\$	\$
Opening balance	14,348,000	-
Redemptions	7,700,000	-
Units issued – applications	9,385,180	14,348,000
Units issued – reinvestment of distributions	-	-
Closing balance	<u>16,033,180</u>	<u>14,348,000</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

	2018	2017
	\$	\$
Opening balance	223,053	-
Operating profit/(loss) before finance costs attributable to unitholders	1,314,877	1,044,294
Distributions paid	(1,194,769)	(821,242)
Distributions payable	(343,161)	-
Closing balance	<u>0</u>	<u>223,053</u>

Withholding tax applicable to the distributions paid or payable during the 2018 financial year was \$61,638.

Total distributions paid or payable for the financial year were \$1,537,930.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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: PERFORMANCE FEES AND INVESTMENT MANAGEMENT FEES

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 8: TRUSTEE AND ADMINISTRATION FEES

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). These fees are paid by the Investment Manager. Fees of \$24,112 (plus GST) were accrued and paid by the Fund to Kehlmann Berleys Capital Pty Ltd for its role as Trustee for the period from 1 July 2017 to 31 October.

Vasco Funds Management Pty Ltd as the Administration Manager of the Fund is entitled to an annual administration fee of \$36,750 (plus GST). This fee is increased by 5% per annum on 1 January each year.

NOTE 9: CUSTODIAN FEES

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.

NOTE 10: OTHER ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Tax return fees	2,500	-
Legal fees	10,545	-
Bank fees	479	304
GST expense (non-claimable)	14,217	-
Valuation fees	2,583	-
Redemption transactions charge	(19,444)	(51)
	10,880	253

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11: CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with profit/ (loss) for the year

	2018	2017
	\$	\$
Profit/(loss) for the year	(223,053)	223,053
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(205,967)	-
Increase/ (decrease) in payables	1,006,572	10,511
Cash flows from operating activities	<u>577,552</u>	<u>233,564</u>

NOTE 12: RELATED PARTY TRANSACTIONS

(a) Trustee

On 1 November 2017, Vasco Investment Managers Limited was appointed as the Trustee the Zank Income Fund. The previous Trustee for the period from 1 July 2017 to 31 October 2017 was Kehlmann Berleys Capital Pty Ltd.

Fees of \$24,112 (plus GST) were accrued and paid by the Fund to Kehlmann Berleys Capital Pty Ltd for its role as Trustee for the period from 1 July 2017 to 31 October, of which \$1,326 is claimable by the Fund as RITC.

The Investment Manager is responsible for payment of the fees of the current Trustee.

(b) Investment Manager

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

Fees of \$304,706 (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 \$22,853 is claimable by the Fund as RITC.

Fees of \$327,713 (plus GST) were accrued and payable by the Fund to Zank and Company Pty Ltd as performance fees for the period from the start of the Fund, of which \$24,578 is claimable by the Fund as RITC.

(c) Administration Manager

The previous Trustee, Kehlmann Berleys Capital Pty Ltd, was responsible for the role of Administration Manager of the Fund prior to 1 November 2017. No fees were paid to Kehlmann Berleys Capital Pty Ltd for its role as the Administration Manager of the Fund.

On 1 November 2017, Vasco Funds Management Pty Ltd was appointed as the Administration Manager of the Zank Income Fund. The Administration Manager is a related party of the current Trustee.

Administration fees of \$17,958 (plus GST) were accrued and paid by the Fund to Vasco Funds Management Pty Ltd for its role as Administration Manager of the Fund, of which \$1,347 is claimable by the Fund as RITC.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: RELATED PARTY TRANSACTIONS (continued)

(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.

NOTE 13: REMUNERATION OF AUDITORS

For the period ended 30 June 2018 the accounts of the Fund were not subject to audit and accordingly no audit fees were paid.

NOTE 14: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period. No borrowers have a contractual right to drawdown additional money.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

A Due Diligence Committee has been established comprising representatives of the Trustee and Investment Manager to facilitate the registration of the Fund as a managed investment scheme.

The Custodian of the Fund has agreed to replace the previous Trustee of the Fund as the lender of existing facilities pertaining to the Fund with the new Trustee.

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

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) 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 assets recognized at the reporting date.

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

(b) 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.

ZANK INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17: 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

The directors of Vasco Investment Managers Limited, the Trustee, have determined that the Fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of Vasco Investment Managers Limited, the Trustee, declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors of Vasco Investment Managers Limited by:



Craig Mathew Dunstan

Director

27 September 2018