



ZANK INCOME FUND

ARSN 637 888 307

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2022

ZANK INCOME FUND
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RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2022

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RESPONSIBLE ENTITY REPORT
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The Directors of the Responsible Entity, Vasco Responsible Entity Services Limited present their report on the Zank Income Fund ('the Fund') for the year ended 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001* the Directors report is as follows:

Vasco Responsible Entity Services Ltd replaced Vasco Trustees Ltd as Responsible Entity on 6 January 2022.

1. Directors of Vasco Responsible Entity Services Ltd:

The names of Directors of the Responsible Entity in office at any time from 7 January 2022 to 30 June 2022:

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

Directors of Vasco Trustee Ltd:

The names of Directors of the Responsible Entity in office at any time from 1 July 2021 to 6 January 2022:

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 financial year ending 30 June 2022 was \$4,209,056 (2021: \$3,726,062).

4. Review of Operations

During the financial year, 24,501,940 (2021: 20,937,427) units have been issued, including 182,281 (2021:295,560) units as a result of reinvestment of distributions, and 21,037,928 (2021: 12,083,539) units have been redeemed.

As at 30 June 2022, the total value of loans to borrowers was \$ 71,266,589 (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.

The Trustee of the Select Investment Fund is a related party of the Investment Manager. The Zank Select Investment Fund is an unregistered managed investment scheme structured as a unit trust, and it has a sub-participation agreement with Zank Income Fund. The sub-participation agreement allows Zank Select Investment Fund to jointly participate in the loans in the Zank Income Fund. 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 30 June 2022 the Zank Income Fund has entered into Loan Sub Participation Agreements with loans to seven borrowers.

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4. Review of Operations (continued)

The "Ian St" loan, held by the Fund defaulted on its repayment obligations. The Fund obtained a valuation of the property on 31 March 2021, and 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. The property was auctioned and sold in July 2022 and the settlement is expected in November 2022. The Fund will recover \$1,600,000 from the borrower. The Investment Manager will keep the Corporate Guarantee and Indemnity to the Fund until the capital loss of \$3,275,000 is recovered. As at 30 June 2022, the Investment Manager has reimbursed \$359,772 to the Guarantee account to recover the capital loss.

Throughout the 2022 financial year five loans entered into default.

RC1 Pty Ltd (Capel Sound) was issued with a default notice on 31 May 2022. The total facility was \$10.8 million and the Fund holds a first registered mortgage over the secured property. The marketing of secured property was commenced on 6 July 2022.

RC1 Pty Ltd (Pahran) was issued with a default noticed on 31 May 2022. The total facility was \$1,015,000 and the Fund holds a first registered mortgage over the secured property.

22 Beachside Accommodation Pty Ltd was issued with a default notice on 28 June 2022. The construction loan principal was \$1,410,409 and the Fund holds a first registered mortgage over the secured property.

Playford City Hotel Pty Ltd was issued with a default notice on 8 April 2022. The total facility was \$600,000 and the Fund holds a first registered mortgage over the secured property.

Prospect St Pty Ltd was issued with a default notice on 18 January 2022. The default notice discharged on 5 February 2022. The total facility was \$7,500,000 and the Fund holds a first registered mortgage over the secured property.

For defaulted loans, the market valuations and appraisals of the property have been obtained to support the holding values. As at 30 June 2022, the values of default loans are expected to be recovered based on the market valuation and appraisals report. During the financial year, custody of the investments of the Fund is held with Perpetual Corporate Trust Limited.

5. Review of Performance

It is anticipated that unitholders will receive the interest return detailed in the Product Disclosure Statement dated 24 May 2022 or otherwise agreed between the unitholders and the Investment Manager.

Unit Class	2022	2021
	% p.a.	% p.a.
Ordinary units	7.88%*	8.00%

*8.00% p.a. for the period from 1 July 2021 to 31 March 2022 7.50% p.a. for the period from 1 April 2022 to 30 June 2022

In the Fund Update published on 3 November 2021, it was noted that from 1 April 2022, the Investment Manager has been targeting a return to Investors of 7.5% per annum (pre-tax, after fees and expenses but before withholding tax payable by foreign resident Investors). Investors should note that this is a target only and is not a forecast or guaranteed return and actual returns may be lower than the target return. In particular, should the Fund not generate sufficient income in any given month, the actual return to investors may be lower than the target return.

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6. Unit Redemption Prices

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

	2022 \$	2021 \$
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 Product Disclosure Statement of the Fund dated 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 30 June 2022:

Period	Distributions Paid / Payable*
1 Jul – 30 Sep 2021	0.0002191781 per unit per day
1 Oct – 31 Dec 2021	0.0002191781 per unit per day
1 Jan – 31 Mar 2022	0.0002191781 per unit per day
1 Apr – 30 Jun 2022	0.0002054794 per unit per day

*8.00% p.a. for the period from 1 July 2021 to 31 March 2022 7.50% p.a. for the period from 1 April 2022 to 30 June 2022

The total distributions declared for the financial year were \$4,211,553 (2021: \$3,726,062).

8. Applications Held

As at 30 June 2022, the value of pending applications was \$300,000 (2021: \$5,080,000).

9. 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. During the financial year, 21,037,928 (2021: 12,083,539) units have been redeemed.

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 Responsible Entity hold no options over interests in the Fund.

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11. Proceedings on Behalf of the Fund

For the loan named Ian Street that was in default, a Mortgagee in Possession process commenced in Financial Year 2021, whereby the secured property was auctioned in July 2022. 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, which was allowed for the property to be scheduled for auction. An updated contract of sale was prepared for this property, and the property was auctioned and sold in July 2022 at \$1,905,000. The settlement is expected in November 2022.

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.

12. Value of Scheme Assets

The Gross Asset Value (GAV) of the Fund's assets at the end of the reporting period was \$82,026,468 (2021: \$65,186,157). The Net Asset Value (NAV) at the end of the reporting period was \$55,806,541 (2021: \$52,345,026).

13. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections and above, 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 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.

15. Future Developments

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

16. 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.

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 financial 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.

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

Investment management fees of \$322,036 (plus GST) were paid and \$2,436 (plus GST) were accrued by the Fund to the Investment Manager for the period (2021: \$268,182).

Performance fees on default interest will be accrued by the Fund during the year and is payable to the Investment Manager for the period if the accrued default interest is received. No Performance fees were paid by the Fund to the Investment Manager (2021: \$0).

Fees of \$56,482 (plus GST) were accrued and paid by the Fund to the Administration Manager (2021: \$42,197).

Fees of \$226,446 (plus GST) were accrued and paid by the Fund to the Responsible Entity (2021: \$145,407).

The Investment Manager also receives establishment fees and line fees in respect of each loan, which are negotiated with and paid directly from the borrower.

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

As at 30 June 2022, the Responsible Entity or Investment Manager and their related parties held no units in the Fund.

19. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 15 to the financial statements.

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

20. 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.

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

The lead auditor's independence declaration is set out on the page 9 and forms part of the Responsible Entity's report for the year ended 30 June 2022.

22. Target Market Determination

This Fund is likely to be appropriate for consumers seeking Income Distribution to be used as a Satellite/Small allocation within a portfolio whether the consumer has a medium-term investment timeframe, medium risk/return profile and needs access to capital on an annual basis.

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (typically with an intended product use of satellite/small allocation or core component). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole.

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

Craig Dunstan

Craig Dunstan

Director

Date: 26 October 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 audit of the financial report of Zank Income Fund for the financial year ended 30 June 2022, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.



PKF



Steven Bradby
Partner

Melbourne, 27 October 2022

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Revenue and other income			
Bank interest	2 (a)	504	5,984
Loan interest income	2 (b)	6,215,247	4,277,022
Loan default interest income	2 (c)	1,042,699	297,955
Total revenue and other income		7,258,450	4,580,961
Expenses			
Investment manager fees	3	324,472	268,182
Responsible Entity fees	4	226,446	145,407
Administration fees	4	56,482	42,197
Custodian fees	5	25,962	25,033
Audit fees	6	30,000	28,000
Sub-participation interest expense	7	1,601,961	19,984
Other expenses	8 (a)	70,237	49,567
Performance Fee, based on default interest	2 (c)	1,042,699	297,955
Reimbursement from Investment Manager	8 (b)	(328,865)	(21,426)
Total expenses		3,049,394	854,899
Operating profit attributed to unitholders		4,209,056	3,726,062
Distribution expense		4,211,553	3,726,062
Total comprehensive income for the year attributable to unitholders net of distributions		(2,497)	-

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	9	7,345,940	7,559,633
Accrued loan interest income	11 (c)	184,558	169,220
Reduced Input Tax Credit receivable	17	29,437	15,125
Investment Asset	11 (b)	62,242,570	34,177,673
Reimbursement from Investment Manager	18	227,656	93,258
Total current assets		70,030,161	42,014,909
Non-current assets			
Investment assets	11 (b)	9,024,019	19,867,393
Investment Manager guarantee	10	2,939,115	3,275,000
Prepaid establishment costs	12	33,173	28,855
Total non-current assets		11,996,307	23,171,248
Total assets		82,026,468	65,186,157
Liabilities			
Prepaid interest	11 (a)	626,743	646,084
Sub-Participation interest expense payable	7	127,864	19,984
Fees payable	13	2,014,263	961,139
Other expenses payable	14	12,878	9,541
Distributions payable		1,038,179	1,004,383
Sub-Participation loan	19 (a)	14,300,000	4,000,000
Total current liabilities		18,119,927	6,641,131
Non-current liabilities			
Sub-Participation loan	19 (b)	8,100,000	6,200,000
Total non-current liabilities		8,100,000	6,200,000
Total liabilities		26,219,927	12,841,131
Net assets		55,806,541	52,345,026
Represented by:			
Issued units	15 (a)	55,809,038	52,345,026
Current year earning		(2,497)	-
Net assets attributable to unitholders		55,806,541	52,345,026

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued Capital \$	Total \$
Balance at 1 July 2021		52,345,026	52,345,026
Issue of share capital		3,464,012	3,464,012
Total comprehensive income for the year		4,209,056	4,209,056
Distributions for the year		(4,211,553)	(4,211,553)
Balance at 30 June 2022	15(a)	55,806,541	55,806,541

	Notes	Issued Capital \$	Total \$
Balance at 1 July 2020		43,491,139	43,491,139
Issue of share capital		8,853,887	8,853,887
Total comprehensive income for the year		3,726,062	3,726,062
Distributions for the year		(3,726,062)	(3,726,062)
Balance at 30 June 2021	15(a)	52,345,026	52,345,026

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Bank interest		504	5,984
Loan interest		6,180,568	4,389,562
Fees paid		(955,372)	(237,182)
Tax paid		(39,065)	(19,186)
Other expenses		(945)	(294)
Net cash provided by operating activities	16	<u>5,185,690</u>	<u>4,138,884</u>
Cash flows from investing activities			
Payment for the purchase of investment assets		(17,221,524)	(22,105,348)
Net receipts from Ian Street Guarantee		335,886	-
Net cash (used in) investing activities		<u>(16,885,638)</u>	<u>(22,105,348)</u>
Cash flows from financing activities			
Proceeds from issue of units		18,901,940	19,192,560
Payment for the redemption of units		(15,437,928)	(10,338,672)
Distributions paid		(4,177,757)	(3,571,229)
Sub-participation loans		12,200,000	10,200,000
Net cash provided by financing activities		<u>11,486,255</u>	<u>15,482,659</u>
Net (decrease) in cash and cash equivalents		(213,693)	(2,483,805)
Cash and cash equivalents at the beginning of year		7,559,633	10,043,438
Cash and cash equivalents at the end of year	9	<u><u>7,345,940</u></u>	<u><u>7,559,633</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. 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.

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NOTES TO THE FINANCIAL STATEMENTS
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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.

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

Under this approach, financial assets and financial liabilities are generally measured initially at amortised cost. As the financial assets meet the following criteria, they are also subsequently measured at amortised cost:

- the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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 Product Disclosure Statement (PDS) for the Fund.

Impairment of financial assets

The Fund recognises a loss allowance for Diminution of Value (DOV) on its financial assets/investments and trade receivables.

The amount of DOV is updated at each reporting date to reflect changes in credit risk since initial recognition.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Categorisation

The Fund's financial instruments 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:

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Fund no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

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 liability 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.

(d) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Interest Revenue and Other Income

Loan interest and bank interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(f) Trade and Other Receivables

Trade and Other Receivables include amounts due from borrowers and the Investment Manager with respect to principal loans and interest excluding those classified as financial assets / investments.

(g) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

(h) Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2: REVENUE

The Fund's revenue is analysed under the following categories

(a) Bank interest

	2022	2021
	\$	\$
Commonwealth bank interest	504	5,984
	504	5,984

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

(b) Loan interest income

	2022	2021
	\$	\$
Airport West	55,186	110,000
Pakenham	-	342,552
Bangor	37,420	187,667
Officer	169,521	825,000
Ashwood	94,284	121,522
Lakes Entrance	-	7,902
Noble Park Ian St	-	323,756
Bronte	-	90,959
Geelong	184,953	55,914
Teesdale	-	39,737
Mount Waverley	51,528	170,826
Malvern East	461,372	248,875
Elizabeth	49,545	67,769
Sydenham	-	13,895
Glenroy	435,265	864,340
West End	123,318	8,902
Deer Park	-	156,637
Hobart	-	29,642
Eltham	470,600	121,682
Pascoe Vale	310	32,058
Park Ridge #4	276,000	176,084
Mayfield North	188,753	105,781
Prahran	67,505	103,085
Kirrawee	222,797	69,035
Capel Sound	958,748	3,402
Piper Crescent Oaks	113,561	-
Essendon Property	61,753	-
Prospect St	607,222	-
Crefly Pty Ltd (Paynes Rd)	642,867	-
Crefly Pty Ltd (996 Beattys)	306,915	-
Toenda Linlea	83,989	-
TwentyTwo Beach Side	33,850	-
8 Toni St	224,971	-

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NOTE 2: REVENUE (continued)

	2022	2021
(b) Loan interest income	\$	\$
Jun Holding	54,432	-
Hodge & Lawe Park Ridge	26,521	-
Prof Project	3,978	-
Crefly Pty Ltd (986)	15,583	-
	<u>6,215,247</u>	<u>4,277,022</u>

(c) Loan default interest income

	2022	2021
	\$	\$
Brucam (repaid)	-	(33,949)
West Construction (repaid)	(22,493)	22,493
Boyd by the Park (repaid)	(26,586)	26,586
Shackel	(15,941)	8,333
Airport West	422,531	311,244
Noble Park Ian Street	-	(36,752)
Elizabeth	29,645	(36,752)
Prahran	(2,578)	-
Capel Sound	519,767	-
Prospect St	75,256	-
Twenty Two Beachside	63,098	-
	<u>1,042,699</u>	<u>297,955</u>

The default interest of \$1,042,699 has corresponding offset against the performance expense in Statement of Profit or Loss and Other Comprehensive Income.

ZANK INCOME FUND
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NOTE 3: INVESTMENT MANAGER FEES AND PERFORMANCE FEES

	2022	2021
	\$	\$
Investment manager fees	324,472	268,182
	324,472	268,182

In accordance with the PDS of the Fund dated 24 May 2022, 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 and payable monthly.

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.

One of the loans, Ian St, held by the Fund defaulted on its repayment obligations. The Fund obtained a valuation of the property at the beginning, and 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.

The property was been auctioned and sold in July 2022 and the settlement is expected in November 2022. The Fund will recover \$1,600,000 from the borrower. The Investment Manager will keep the Corporate Guarantee and Indemnity to the Fund until the capital loss of \$3,275,000 is recovered. Until 30 June 2022, the Investment Manager has reimbursed \$359,772 to the Guarantee account to recover the potential capital loss. 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.

NOTE 4: RESPONSIBLE ENTITY AND ADMINISTRATION FEES

	2022	2021
	\$	\$
Responsible Entity fees	226,446	145,407
Administration fees	56,482	42,197
	282,928	187,604

In accordance with the PDS dated on 24 May 2022, the Responsible Entity 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).

The Responsible Entity is also entitled to a Documentation Execution Fee of \$261.25 for each set of loan documents that requires review and execution by the Responsible Entity and a Default and Arrears Management Fee of \$156.75 per hour for the review and management of recovery proceedings against borrowers in default.

Vasco Fund Services Pty Limited as the Administration Manager of the Fund is entitled to an annual administration fee of \$56,482 (plus GST) for the financial year. The administration fee will increase by 5% on 1 January of each year.

ZANK INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 5: CUSTODIAN FEES

	2022	2021
	\$	\$
Custodian fees	25,962	25,033
	25,962	25,033

In accordance with the Custodian Agreement, Perpetual Corporate Trust Limited as the custodian is entitled to an annual fee of \$25,000 (plus GST) calculated monthly and payable quarterly in arrears, subject to a CPI increase applied quarterly.

When the Fund has a Gross Asset Value of more than \$50 million, the custodian is entitled to a fee of 0.05% of the Gross Asset Value, calculated monthly and payable quarterly in arrears.

NOTE 6: REMUNERATION OF AUDITORS

The financial and compliance auditor of the Fund for the financial year ending 30 June 2022 was PKF Melbourne Pty Ltd.

The fees paid or agreed to be paid by the Fund are disclosed below:

Remuneration of Auditors:	2022	2021
	\$	\$
Half-year audit	10,000	-
Audit of compliance plan and financial report	20,000	28,000
	30,000	28,000

NOTE 7: SUB-PARTICIPATION INTEREST EXPENSE

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

	2022	2021
	\$	\$
Officer sub-participation loan	85,916	18,115
Capel Sound sub-participation loan	683,531	1,869
Crefly Pty Ltd (Paynes Rd) sub-participation loan	112,584	-
Crefly Pty Ltd (996 Beattys Rd) sub-participation loan	162,280	-
Eltham sub-participation loan	132,329	-
Kirrawee sub-participation loan	93,973	-
Melton sub-participation loan	26,897	-
Metro holding 8 Toni Street sub-participation loan	153,041	-
Prospect St Pty Ltd sub-participation loan	116,818	-
Tourle St sub-participation loan	34,592	-
	1,601,961	19,984

ZANK INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8: OTHER EXPENSES

(a) Fees incurred	2022	2021
	\$	\$
Tax return fees	2,850	2,500
Bank fees	945	294
GST expense (non-claimable)	24,753	17,221
Default management fee	-	1,125
Legal fees	4,500	-
Other administration expense	19,291	11,925
Establishment fees	12,811	9,385
ASIC fees	2,812	1,267
Professional fees	2,275	5,850
	70,237	49,567
(b) Reimbursement from Investment Manager	\$	\$
Reimbursement	328,865	21,426
	328,865	21,426

NOTE 9: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Commonwealth Bank	7,345,940	7,559,633
	7,345,940	7,559,633

NOTE 10: INVESTMENT MANAGER GUARANTEE

One of the loans, named Ian St, held by the Fund defaulted on its repayment obligations. The Fund obtained a valuation of the property at the beginning, and 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.

The property was been auctioned and sold in July 2022 and the settlement is expected in November 2022. The Fund will recover \$1,600,000 from the borrower. The Investment Manager will keep the Corporate Guarantee and Indemnity to the Fund until the capital loss of \$3,275,000 is recovered. As at 30 June 2022, the Investment Manager has reimbursed \$359,772 to the Guarantee account to recover the potential capital loss. 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
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NOTE 10: INVESTMENT MANAGER GUARANTEE (continued)

	2022	2021
	\$	\$
Investment Manager Guarantee	3,275,000	3,275,000
Capitalised valuation fees and debt recovery costs	18,886	-
Investment manager contribution	(359,772)	-
	<u>2,939,115</u>	<u>3,275,000</u>

NOTE 11: INVESTMENTS

(a) Prepaid interest

	2022	2021
	\$	\$
Officer	-	29,384
Deer Park	-	16,349
Pascoe Vale	-	16,588
Park Ridge #4	-	24,197
Mayfield North	38,466	43,940
Prahran	-	1,529
Capel Sound	-	514,097
Crefly Pty Ltd (Paynes Rd)	379,562	-
Crefly Pty Ltd (996 Beattys)	195,435	-
Crefly 986	11,917	-
Prospect St	1,363	-
	<u>626,743</u>	<u>646,084</u>

ZANK INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11: INVESTMENTS (continued)

(b) Investment assets

As at 30 June 2022, the total value of loans to borrowers was \$71,266,591. The interest on loans is generally paid in advance. The section below summarises the current status of the loan investments:

Current investment assets:

	2022	2021
	\$	\$
Loan advance – Geelong Jomanni	1,726,746	-
Loan advance – Malvern East	5,673,959	3,478,805
Loan advance – Deer Park	1,750,000	-
Loan advance – Eltham	4,800,000	3,630,800
Loan advance – Park Ridge #4	2,400,000	-
Loan advance – Mayfield North	1,800,000	-
Loan advance – Prahran	1,104,136	-
Loan advance – Capel Sound	11,228,051	-
Loan advance – Piper Crescent Oaks Pty Ltd	1,659,915	-
Loan advance – Prospect St Pty Ltd	7,575,256	-
Loan advance – Crefly Pty Ltd (Paynes Rd)	5,145,000	-
Loan advance – Crefly Pty Ltd (996 Beattys Rd)	5,100,000	-
Loan advance – Toenda Linlea	1,596,000	-
Loan advance – 22 Beachside Accommodation	1,473,507	-
Loan advance – Toni St	5,880,000	-
Loan advance – Jun Holdings	1,330,000	-
Loan advance - Shackel	-	1,415,941
Loan advance – Prof Project	400,000	-
Loan advance – Ashwood	-	1,076,586
Loan advance – West End	-	975,000
Loan advance – MBC President	-	1,949,298
Loan advance – Officer	-	8,250,000
Loan advance – Noble Park Ian St	1,600,000	1,600,000
Loan advance – Mount Waverley	-	2,000,000
Loan advance – Glenroy	-	6,322,493
Loan advance – Pascoe Vale	-	1,078,750
Loan advance – Park Ridge #4	-	2,400,000
	62,242,570	34,177,673

ZANK INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11: INVESTMENTS (continued)

(b) Investment assets

Non-current investment asset:

	2022	2021
	\$	\$
Loan advance – Airport West	3,394,374	2,971,843
Loan advance – Geelong Jomanni	-	930,550
Loan advance – Malvern East	-	-
Loan advance – Elizabeth Playford	629,645	600,000
Loan advance – Deer Park	-	1,750,000
Loan advance – Eltham	-	-
Loan advance – Mayfield North	-	1,800,000
Loan advance – Prahran	-	1,015,000
Loan advance – Capel Sound	-	10,800,000
Loan advance – Hodge & Lawe	2,000,000	-
Loan advance – Crefly 986	3,000,000	-
	9,024,019	19,867,393

(c) Accrued interest income

	2022	2021
	\$	\$
Boyd by the park (repaid)	-	10,173
Brisvillage (repaid)	-	8,615
M2Space (repaid)	-	17,226
Western Construction (repaid)	-	50,000
MBC President (repaid)	-	16,716
Jomanni	17,708	8,148
Malvern East	44,294	27,155
Eltham	43,302	31,187
Piper Crescent Oaks	15,008	-
Toenda Linlea	12,856	-
8 Toni St	50,745	-
Prof Project	645	-
	184,558	169,220

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NOTE 12: PREPAID EXPENSES AND AMORTISATION

	2022	2021
	\$	\$
Prepaid establishment cost	64,057	46,927
Less: amortisation	(30,884)	(18,072)
	33,173	28,855

Prepaid establishment costs are amortised on a straight-line basis over five years.

NOTE 13: FEES PAYABLE

	2022	2021
	\$	\$
Custodian fees payable	5,583	-
Investment manager fees payable	28,578	36,376
Responsible Entity fees payable	20,169	13,529
Performance fees payable on default interest	1,939,933	897,234
Fund audit fee payable	20,000	14,000
	2,014,263	961,139

NOTE 14: OTHER EXPENSES PAYABLE

	2022	2021
	\$	\$
Income tax payable	2,423	2,423
Provision for tax return fees	2,850	2,500
Other accrued fees	7,605	4,618
	12,878	9,541

NOTE 15: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

	2022	2022	2021	2021
	Units	\$	Units	\$
Opening balance	52,345,026	52,345,026	43,491,141	43,491,139
Redemptions	(21,037,928)	(21,037,928)	(12,083,539)	(12,083,539)
Units issued – applications	24,319,659	24,319,659	20,641,867	20,641,867
Units issued – reinvestment of distributions	182,281	182,281	295,560	295,560
Closing balance	55,809,038	55,809,038	52,345,026	52,345,026

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NOTE 15: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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 year, 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

	2022	2021
	\$	\$
Opening balance	-	-
Net operating profit attributable to unitholders	4,209,056	3,726,062
Distributions paid	(3,173,374)	(2,721,679)
Distributions payable	(1,038,179)	(1,004,383)
Closing balance	(2,497)	-

Withholding taxes applicable to the distributions payable during the 2022 financial year were \$27,382 (2021: \$94,757)

Total distributions for the financial year were \$4,211,553 (2021: \$3,726,062).

(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 16: NET CASH PROVIDED BY OPERATING ACTIVITIES

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

	2022	2021
	\$	\$
Gain / (Loss) for the year	4,209,056	3,726,062
Changes in assets and liabilities:		
(Increase) in receivables	(178,539)	(127,543)
Increase/(decrease) in payables	1,155,173	540,365
Cash flows from operating activities	5,185,690	4,138,884

NOTE 17: REDUCED INPUT TAX CREDIT RECEIVABLE

	2022	2021
	\$	\$
Reduced Input Tax Credit receivable	29,437	15,125
	29,437	15,125

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NOTE 18: REIMBURSEMENT RECEIVABLE FROM INVESTMENT MANAGER

	2022	2021
	\$	\$
Reimbursement receivable from Investment Manager	227,656	93,258
	<u>227,656</u>	<u>93,258</u>

NOTE 19: SUB-PARTICIPATION LOANS

(a) Current liabilities

	2022	2021
	\$	\$
Crefly Pty Ltd (Paynes Rd) sub-participation loan	2,000,000	-
Crefly Pty Ltd (996 Beattys Rd) sub-participation loan	3,500,000	-
Eltham sub-participation loan	1,500,000	-
Metro holding 8 Toni Street sub-participation loan	4,200,000	-
Officer	-	4,000,000
Prospect St Pty Ltd sub-participation loan	1,800,000	-
Tourle St sub-participation loan	1,300,000	-
	<u>14,300,000</u>	<u>4,000,000</u>

(b) Non-Current liabilities

	2022	2021
	\$	\$
Capel Sound sub-participation loan	8,100,000	6,200,000
	<u>8,100,000</u>	<u>6,200,000</u>

ZANK INCOME FUND
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NOTE 20: 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 Services Limited act as the Responsible Entity of Zank Income Fund to 6 January 2022.

Fees of \$110,469 (2021: \$145,407) have been paid by the Fund to Vasco Trustees Limited for its role as Responsible Entity, of which \$6,076 (2021: \$7,997) is claimable as RITC.

Vasco Responsible Entity Services Limited act as the Responsible Entity of Zank Income Fund from 7 January 2022.

Fees of \$115,977 (2021: \$ nil) have been paid by the Fund to Vasco Responsible Entity Services Limited for its role as Responsible Entity, of which \$6,379 (2021: \$ nil) is claimable as RITC.

(b) Investment Manager

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

Fees of \$322,036 (plus GST) (2021: \$268,182 (plus GST)) were paid and \$2,436 (plus GST) were accrued by the Fund to Zank and Company Pty Ltd for its role as Investment Manager for the period, of which \$24,335 (2021: \$20,114) 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 reimburse the Fund, totaling \$328,865 (2021: \$21,426).

At 30 June 2022, the Investment Manager and their related parties held no units in the Fund.

(c) Zank Select Investment Fund

Zank and Company Pty Ltd and the Fund are related parties to the Zank Select Investment Fund ("Zank Select"). Transaction between Zank Select and Fund include the sub-participation of certain loans. Details of transactions are included in Note 7 and Note 19.

(d) Administration Manager

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

Administration fees of \$56,482 (plus GST) (2021: \$42,197 (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 \$4,236 (2021: \$3,165) is claimable by the Fund as RITC.

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

(e) Key management personnel

The Fund does not employ personnel in its own right. However, it has incorporated the Responsible Entity, Vasco Responsible Entity Services 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21: CONTINGENT LIABILITIES

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

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

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 23: 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 Responsible Entity 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 assets recognised at the reporting date, as summarised below:

	2021	2021
	\$	\$
Cash and cash equivalents	7,345,940	7,559,633
Investment assets	71,266,589	54,045,066
	78,612,529	61,604,699

The Responsible Entity, through the Investment Manager manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(c) Market Risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored by the Responsible Entity.

ZANK INCOME FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 23: FINANCIAL RISK MANAGEMENT (continued)

(d) Interest Rate Risk

The Fund's interest rate risk is monitored by the Responsible Entity, through the Investment Manager. Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	2022	2021
	\$	\$
Cash and cash equivalents	7,345,940	7,559,633
Investment assets	71,266,589	54,045,066
Total	78,612,529	61,604,699

An increase or decrease of 100 basis points in interest rates as at the reporting date would not have a material effect on the net assets attributable to unitholders and operating results.

(e) Property value risk

The valuation of the security property for a loan may be inaccurate or not accurately reflect its true value at the time the valuation is undertaken. If the valuation of the security property for a loan is incorrect, then the amount realised on the sale of a security property may not cover the amount lent to a borrower. Security property is valued by a valuer under instructions from the Investment Manager and in accordance with the Responsible Entity's valuation policy.

(f) Construction and development risk

Investments in the Fund may be lent to borrowers for use in property construction projects. There are specific risks associated with this type of project, including:

- construction or development costs can exceed budgeted costs and the borrower may be unable to complete the project unless the borrower can obtain further funds;
- loan funds kept in reserve by the construction manager to complete the project being insufficient to meet the cost of completion; and
- a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

The Investment Manager may manage this risk and its elements by:

- ensuring a guaranteed maximum price building contract from reputable and established builders who have experience in the type of proposed construction to be executed between the builder and borrower;
- ensuring that the project is employing standard construction techniques and that adequate building insurance cover is in place;
- requiring minimum pre-sales or leasing commitments on the proposed development; and
- monitoring all construction loan draw-downs to ensure that there are always sufficient funds remaining to complete the project. An independent quantity surveyor or construction cost manager may be appointed prior to the commencement of the project to verify that there are sufficient funds available to complete the project and to verify the completion of each stage of construction prior to the draw-down of funds.

The Investment Manager may also require the developer to include a contingency factor on total construction costs in the debt funding required for each project.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 24: 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 30 June 2022 and its performance for the financial 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.



Craig Dunstan

Director

26 October 2022

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

Report on the Financial Report

Auditor's opinion

We have audited the accompanying financial report of Zank Income Fund (the Fund), which comprises the statement of financial position as at 30 June 2022, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

In our opinion, the financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors of the Responsible Entity for the financial report

The Directors of the Responsible Entity are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF
Melbourne, 27 October 2022



Steven Bradby
Partner