



ZANK INCOME FUND

ARSN 637 888 307

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023

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RESPONSIBLE ENTITY REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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ZANK INCOME FUND
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RESPONSIBLE ENTITY REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

The Directors of the Responsible Entity, Vasco Responsible Entity Services Limited present their report on the Zank Income Fund ('the Fund') for the half-year ended 31 December 2023. In order to comply with the provisions of the *Corporations Act 2001* the Directors report is as follows:

1. Directors of Vasco Responsible Entity Services Limited

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

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

2. Principal Activities

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

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

3. Operating Results

Total Comprehensive Income / (Loss) of the Fund for the half-year ended 31 December 2023 was \$584,523 (31 December 2022: loss of \$2,365,000).

4. Review of Operations

During the half-year ended 31 December 2023, nil (30 June 2023: 6,244,686) units have been issued, including nil (30 June 2023: 149,686) units as a result of reinvestment of distributions, and nil (30 June 2023: 14,177,975) units have been redeemed.

As at 31 December 2023, the total value of loans to borrowers was \$34,468,466 (30 June 2023: \$44,264,894). 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.

In the Financial Year 2021, the Zank Select Investment Fund was established. The trustee of the Zank Select Investment Fund is a related party of the Investment Manager. It is anticipated that from time to time the Zank Income Fund may enter into Loan Sub Participation Agreements with the Zank Select Investment Fund. As at 31 December 2023 the Zank Income Fund has entered into Loan Sub Participation Agreements with loans to three borrowers.

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

One of the loans (Ian St), previously held by the Fund defaulted on its repayment obligations. During the recovery process, the Fund obtained a valuation of the property in anticipation of selling the property as the mortgagee in possession. The valuation report stated that the property had a fair value of \$3,275,000 less than the principal amount.

In order to guarantee recovery of any potential capital loss, the Investment Manager provided a Corporate Guarantee and Indemnity to the Fund. The Investment Manager also agreed to forgo 65% of future management fees and 100% of future performance fees until the principal has been recovered.

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4. Review of Operations (continued)

The property was auctioned, sold and settled in the previous financial year. The Fund recovered \$1,789,989 from the borrower. \$1,600,000 was used to recover the loan and \$189,989 was applied against the guarantee account. From 1 July 2023, the Investment Manager has decided to charge 100% of management fees. Out of this amount, 65% of the management fees will be allocated to reduce the Investment Manager guarantee receivable. As at 31 December 2023, the Investment Manager has reimbursed \$1,054,867 to the Guarantee account to recover the capital loss.

RC1 Pty Ltd has two loans, and both were placed into default on 31 May 2022. The loans in question are disclosed in note 5 of the financial statements. Specifically, the first loan is labelled Capel Sound (the loan carrying value of \$8,415,146 (note 5) after consideration of the associated sub participation loan liability is a net exposure to Fund of \$5,570,547).

The second loan is labelled Prahān, and this loan has been discharged upon settlement at the sale.

The Responsible Entity appointed Pitcher Partners to act as receivers and managers on 7 November 2022. Innis Cull and Timothy Bradd act as receivers and managers of the Collateral and the Grantor will be entitled to all the powers conferred on receivers and managers by the General Security Agreement and by law. In addition, Cor Cordis were engaged as liquidators of RC1 Pty Ltd on 2 March 2023. The receivers will take control of the assets and seek to recover the debt owed to the lender.

There are expected to be losses resulting from the sales process, meaning the full carrying value of the loan may not be recovered. An external market valuation has not yet been completed as the Responsible Entity has sought to engage in the most advantageous sales process available to achieve recovery of at least the current carrying value of the loan and considers that the preparation of the underlying property and improvements with vacant possession will achieve the desired outcome. The sale process is ongoing as at the date of adoption of the financial statements.

Existing and possible additional losses impact the unit price of the Fund and where there is uncertainty of the likely sale value it also impacts the Responsible Entity's ability to calculate a unit price with accuracy and confidence.

5. Distributions Paid or Recommended

In accordance with the Product Disclosure Statement of the Fund, distributions, if any, are payable on a quarterly basis within 10 business days after the end of each quarter. Returns payable to investors are expected to be paid in accordance with the Product Disclosure Statement.

The following distributions were paid or payable for the period to 31 December 2023:

Period	Distributions Paid / Payable
1 Jul – 31 Oct 2023	0.0000821918 per unit per day
1 Nov – 31 Dec 2023	0.0000819672 per unit per day

The total distributions declared for the half-year ended 31 December 2023 were \$723,706. (31 December 2022: \$2,002,592).

6. Redemption Arrangements

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

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7. Options

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

8. Proceedings on Behalf of the Fund

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

9. Value of Scheme Assets

The gross asset value of the Fund at the end of the reporting period was \$52,404,451 (30 June 2023: \$59,728,242). The net asset value at the end of the reporting period was \$47,389,172 (30 June 2023: \$46,804,649).

10. Significant Changes in State of Affairs

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

11. After Balance Date Events

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

12. Future Developments

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

13. Indemnifying Officers or Auditor

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

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

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

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

As at 31 December 2023, the Responsible Entity or Investment Manager and their related parties held no units in the Fund.

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15. Interests in the Fund

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

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

16. Environmental Issues

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

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

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the half-year ended 31 December 2023.

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

A handwritten signature in black ink, appearing to read 'Craig Dunstan', is written over a circular stamp or seal.

Craig Dunstan

Director

Date: 13 March 2024

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Auditor's Independence Declaration

To the Directors of Zank Income Fund (the Scheme)

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Zank Income Fund for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 13 March 2024

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	Half-year ended 31 Dec 2023 \$	Half-year ended 31 Dec 2022 \$
Revenue and other income			
Bank interest	2 (a)	156,790	54,140
Loan interest income	2 (b)	2,410,569	3,101,487
Total revenue and other income		2,567,359	3,155,627
Expenses			
Investment manager fees		367,605	148,645
Responsible Entity fees		84,795	117,893
Administration fees		31,720	30,210
Custodian fees		14,609	13,779
Audit fees		14,000	15,000
Sub-participation interest expense	3	108,947	725,511
Other expenses		173,808	38,561
Reimbursement from the Investment manager		-	63,436
Receiver's fees		256,851	-
Remeasurement of present value of long-term financial asset	4	330,000	-
Asset impairment / (reversal)		(123,205)	2,365,000
Total expenses		1,259,130	3,518,035
Operating profit / (loss) attributed to unitholders		1,308,229	(362,408)
Finance costs attributable to unitholders			
Distribution expense		723,706	2,002,592
Total comprehensive income/(loss) for the period attributable to unitholders net of distributions		584,523	(2,365,000)

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 Dec 2023 \$	30 Jun 2023 \$
Current assets			
Cash and cash equivalents		14,647,942	11,961,931
Accrued loan interest income		1,003,798	968,044
Reduced input tax credit receivable		49,696	33,500
Investment assets	5	29,248,466	33,869,893
Sundry debtor - other		352,135	-
Total current assets		45,302,037	46,833,368
Non-current assets			
Investment assets	5	5,220,000	10,395,000
Investment Manager guarantee	4	1,867,057	2,442,301
Prepaid establishment costs		15,357	57,573
Total non-current assets		7,102,414	12,894,874
Total assets		52,404,451	59,728,242
Current liabilities			
Prepaid interest		183,362	124,016
Sub-Participation interest expense payable		38,355	179,216
Fees payable		382,366	1,860,327
Other expenses payable		50,081	37,178
Distributions payable		257,879	-
Zank Select sub-participation loans		4,103,236	5,722,856
Total current liabilities		5,015,279	7,923,593
Non-current liabilities			
Zank Select sub-participation loans		-	5,000,000
Total non-current liabilities		-	5,000,000
Total liabilities		5,015,279	12,923,593
Net assets		47,389,172	46,804,649
Represented by:			
Issued units	6 (a)	47,873,495	47,873,495
Undistributed (loss) attributable to unitholders	6 (b)	(484,323)	(1,068,846)
Net assets attributable to unitholders		47,389,172	46,804,649

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STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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 period.

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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	Half-year ended 31 Dec 2023 \$	Half-year ended 31 Dec 2022 \$
Cash flows from operating activities			
Bank interest		156,790	54,140
Loan interest		2,434,161	2,675,707
Payments to suppliers		(2,037,532)	(418,675)
Reimbursement from Investment Manager		-	386,121
Net cash provided by operating activities		<u>553,419</u>	<u>2,697,293</u>
Cash flows from investing activities			
Net receipt from investment assets		9,246,791	5,224,088
Net cash provided by investing activities		<u>9,246,791</u>	<u>5,224,088</u>
Cash flows from financing activities			
Proceeds from issue of units		-	2,695,000
Payment for the redemption of units		-	(10,777,975)
Distributions paid		(465,827)	(1,973,487)
Net Sub-participation payments		(6,398,564)	(500,000)
Sub-participation interest paid		(249,808)	(473,322)
Net cash (used in) financing activities		<u>(7,114,199)</u>	<u>(11,029,784)</u>
Net increase / (decrease) in cash and cash equivalents		2,686,011	(3,108,403)
Cash and cash equivalents at the beginning of period		11,961,931	7,345,940
Cash and cash equivalents at the end of period		<u><u>14,647,942</u></u>	<u><u>4,237,537</u></u>

ZANK INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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 the Investment Manager of the Fund.

Basis of Preparation

(a) Statement of compliance

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

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023.

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:

Long term financial assets and liabilities are measured at the present value of all future cash receipt, discounted using the prevailing market rate of interest for a similar instrument.

(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 judgements, 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 reporting period 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 and historical collection rates.

ZANK INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

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.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have an impact on the amounts recognised in the prior periods or will affect the current or future periods.

(f) Change in Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the period ended 30 June 2023.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 2: REVENUE

The Fund's revenue is analysed under the following categories:

(a) Bank interest

	Half-year ended 31 December 2023	Half-year ended 31 December 2022
	\$	\$
Bank interest	156,790	54,140
	<u>156,790</u>	<u>54,140</u>

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

(b) Loan interest income

	Half-year ended 31 December 2023	Half-year ended 31 December 2022
	\$	\$
Loan interest income	2,410,569	3,101,487
	<u>2,410,569</u>	<u>3,101,487</u>

NOTE 3: SUB-PARTICIPATION INTEREST EXPENSE

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

	Half-year end 31 December 2023	Half-year end 31 December 2022
	\$	\$
Zank Select Loan - Eltham Oak	22,511	75,616
Zank Select Loan -Prospect	-	80,903
Zank Select Loan - Melton East (Crefly-Paynes Rd)	(1,302)	137,660
Zank Select Loan - Melton East (Crefly 996)	23,000	126,417
Zank Select Loan – YLA SPA	5,883	-
Zank Select Loan - Malvern East	58,855	32,569
Zank Select Loan - 8 Toni St	-	211,727
Zank Select Loan - Tourle St	-	60,619
	<u>108,947</u>	<u>725,511</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 4: INVESTMENT MANAGER GUARANTEE

One of the Fund's previous loans, (Ian St), 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 provided a Corporate Guarantee and Indemnity to the Fund. The Investment Manager has also agreed to forgo 65% 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 settled in November 2022. The Investment Manager will keep the Corporate Guarantee and Indemnity to the Fund until the capital loss of \$3,275,000 is recovered. The Fund recovered \$1,789,989 from the borrower. \$1,600,000 was used to recover the loan and \$189,989 was applied against the guarantee account. As at 31 December 2023, the Investment Manager has reimbursed \$1,054,867 to the Guarantee account to recover the capital loss and at that date the Guarantee account balance is \$1,867,057. The guarantee is measured at the amount agreed with the Investment Manager and has been discounted by \$330,000, to reflect the present value of expected cash flows.

NOTE 5: INVESTMENT ASSETS AT AMORTISED COST

As at 31 December 2023, the total value of loans to borrowers was \$29,248,466. The interest on loans is generally paid in advance. The section below summarises the current status of the loan investments:

Current investment assets:

	31 December 2023	30 June 2023
	\$	\$
Loan Advance - Eltham Oaks	-	2,092,397
Loan Advance - RC1(Prahran)	-	432,646
Loan Advance - Jomanni Investment	-	2,657,989
Loan Advance - RC1(Capel Sound) ^(a)	8,415,146	8,363,685
Loan Advance - Piper Crescent Oaks Pty Ltd	2,241,051	1,309,915
Loan Advance - 22 Beachside Accommodation	-	1,794,545
Loan Advance - Quiet Development	-	2,072,359
Loan Advance - Portland Ventures	-	375,000
Loan Advance - Sifang Group	270,000	-
Loan Advance- Fanryn	1,065,000	-
Loan Advance - 24 Collins	-	930,000
Loan Advance - Hodge & Lawe	-	1,849,009
Loan advance – Airport West	100,000	1,285,140
Loan advance – Elizabeth Playford	500,000	500,000
Loan advance – Crefly 986	3,000,000	3,000,000
Loan Advance - YLA Estate	-	4,496,372
Loan Advance - Bruce Garden	2,335,410	1,700,836
Loan Advance - Jing Ying Trading	-	1,010,000
Loan Advance - Builders Club Group	1,750,000	-
Loan Advance - Crefly Pty Ltd (Paynes Rd)	5,145,000	-
Loan Advance - Yorkland	400,000	-
Loan Advance - Grand Pacific	1,121,859	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 5: INVESTMENTS (continued)

Current investment assets (continued):

Loan Advance - RLZD	385,000	-
Loan Advance - Duch5	2,520,000	-
	29,248,466	33,869,893

Non-current investment assets:

	31 December 2023	30 June 2023
	\$	\$
Loan Advance - Crefly Pty Ltd (Paynes Rd)	-	5,145,000
Loan Advance - Builders Club Group	-	1,750,000
Loan Advance - Sifang Group	-	270,000
Loan Advance- Fanryrn	-	1,065,000
Loan Advance - Malvern East Oaks	-	2,165,000
Loan Advance – Henry St	5,000,000	-
Loan Advance - Usum	220,000	-
	5,220,000	10,395,000

^(a) For defaulted loans, with the exception of RC1 (Capel Sound), the market valuations and appraisals of the property have been obtained to support the holding values. As of 31 December 2023, the values of default loans are expected to be recovered based on the market valuation.

The Responsible Entity appointed Pitcher Partners in a prior period to act as receivers and managers during the period for the entity relating to RC1 (Loan Advance – RC1 (Capel Sound) and Loan Advance – RC1 (Pahran)). Innis Cull and Timothy Bradd will act as receivers and managers of the Collateral and the Grantor will get all the powers conferred on receivers and managers by the General Security Agreement and by law. The receivers will take control of the assets and seek to recover the debt owed to the lender.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	31 December 2023		30 June 2023	
	Units	\$	Units	\$
Opening balance	47,875,747	47,873,495	55,809,038	55,809,038
Redemptions	-	-	(14,177,975)	(14,177,975)
Units issued – applications	-	-	6,095,000	6,095,000
Units issued – reinvestment of distributions	-	-	149,686	147,432
Closing balance	47,875,747	47,873,495	47,875,749	47,873,495

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. For distributions that have reinvested during the period, units have been rounded to the nearest whole unit in accordance with the Responsible Entity's Unit Pricing Policy.

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

	31 December 2023	30 June 2023
	\$	\$
Opening balance	(1,068,846)	-
Net operating profit attributable to unitholders	1,308,229	933,746
Distributions paid	(465,827)	(2,002,592)
Distributions payable	(257,879)	-
Closing balance	(484,323)	(1,068,846)

Withholding taxes applicable to the distributions payable during the half-year ended 31 December 2023 was \$nil (30 June 2023: \$nil)

Total distributions payable at period end were \$257,879 (30 June 2023: \$nil).

(c) Capital management

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

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

NOTE 7: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 7: RELATED PARTY TRANSACTIONS (continued)

(a) Responsible Entity

Vasco Responsible Entity Services Limited is the Responsible Entity of Zank Income Fund as of 31 December 2023.

Fees of \$84,795 (31 December 2022: \$117,893) have been paid by the Fund to Vasco Responsible Entity Services Limited for its role as Responsible Entity, of which \$4,664 (31 December 2022: \$6,484) is claimable as a reduced input tax credit.

(b) Investment Manager

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

Before 1 July 2023, the Investment Manager agreed to waive 70% of their management fee for the period, and charge 30% of its management fee (31 December 2021: \$148,645 at 30% of the management fee), which has been reimbursed back to the Fund as the investment manager guarantee.

After 1 July 2023, the Investment Manager has decided to charge 100% of their management fee for the period and allocate 65% of its management fee of \$238,943 (31 December 2022: \$nil at 65% of the management fee) to cover the capital loss, which has been reimbursed back to the Fund as the investment manager guarantee.

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

(c) Zank Select Investment Fund

Zank and Company Pty Ltd and the Fund are related parties to the Zank Select Investment Fund ("Zank Select"). Transactions between Zank Select and the Fund include the sub-participation of certain loans. Details of transactions are included in Note 3.

(d) Administration Manager

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

Administration fees of \$31,720 (plus GST) (31 December 2022: \$30,210 (plus GST)) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which \$2,379 (31 December 2022: \$2,266) is claimable by the Fund as a reduced input tax credit.

Vasco Fund Services Pty 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 an incorporated Responsible Entity, Vasco Trustees Limited, and an Investment Manager, Zank and Company Pty Ltd, to manage the activities of the Fund. The Directors of the Responsible Entity and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Responsible Entity or Investment Manager. Payments made by the Fund to the Responsible Entity and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

NOTE 8: CONTINGENT LIABILITIES

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

ZANK INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

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

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

NOTE 10: RESPONSIBLE ENTITY DETAILS

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

Vasco Responsible Entity Services Limited

Level 4

99 William Street

Melbourne Victoria 3000

ZANK INCOME FUND

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of Zank Income Fund are in accordance with the *Corporations Act 2001*, including
 - (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting obligations; and
 - (ii) Giving a true and fair view of its financial position as at 31 December 2023 and its performance for the half year ended on that date;
- (b) There are reasonable grounds to believe that Zank Income Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

A handwritten signature in black ink, appearing to be 'Craig Dunstan', written over a horizontal line.

Craig Dunstan

Director

13 March 2024

Independent Auditor's Report

To the Members of Zank Income Fund

Report on the half-year financial report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of Zank Income Fund (the Scheme), which comprises the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Zank Income Fund does not:

- a give a true and fair view of the Zank Income Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Qualified Conclusion

The Scheme's investments includes a loan receivable to of Zank Select Fund of \$8,415,146, as outlined in Note 5 and an associated sub-participation loan liability of \$2,844,599 whereby the sub-participant funder shares in the financial effects of the aforementioned loan receivable in proportion.

The Scheme were unable to provide sufficient appropriate evidence to support to the recoverability of the loan receivable and therefore the liability exposure. Accordingly, we are not in a position to an do not express a conclusion on these balances at 31 December 2023.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Directors' responsibility for the half-year financial report

The Directors of the Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 13 March 2024