ASCF Premium Capital Fund

ARSN 637 973 409

Financial Report for the Period Ended - 30 June 2022

The Directors of Australian Secure Capital Fund Ltd (the 'Responsible Entity'), the Responsible Entity of ASCF Premium Capital Fund (the 'Fund'), submit their report together with the financial statements of the Fund for the year ended 30 June 2022.

Directors

The following persons were Directors of the Responsible Entity during the whole of the financial period and up to the date of this report, unless otherwise stated:

Richard John Taylor
Kosta Nicholas Giovanos
Filippo Sciacca

Information on Directors

Name:	Richard Taylor
Title:	Mr
Qualifications:	Mr Taylor has a Bachelor of Economics from Bournemouth University, a Diploma in Commercial Management from Bournemouth University, a Diploma of Financial Services (Financial Planning) from Tribeca, a Certificate IV in Financial Services (Finance/Mortgage Broking) and a Diploma of financial Services (Finance/Mortgage Broking Management) from Intellitrain, and a Certificate IV in Property Services (Real Estate) from the Australian School of Business & Law. Mr Taylor is also an accredited Financial Broker (no. 16714) of the Mortgage and Finance Association of Australia and is a licensed Real Estate Agent, Qld (no.3981311).
Experience and expertise:	Mr Taylor has extensive experience in the finance and credit industries, working across both industries for more than 38 years.
Special responsibilities:	Chief Executive Officer & Director of Finance
Name:	Kosta Giovanos
Title:	Mr
Qualifications:	Mr Giovanos holds a Certificate IV in Finance and Mortgage Broking from the Finance and Related Services Training Academy and is a registered member of both the Mortgage and Finance Association of Australia and the Credit and Investments Ombudsman.
Experience and expertise:	Mr Giovanos commenced his career in 2005 as a Sales Manager for home and investment lending for National Fidelity Mortgage, a residential mortgage lender operating in the United States of America before becoming a Branch Manager and Private Client Manager at Bankwest. After three years with Bankwest, Mr Giovanos worked as a Relationship Manager at ANZ specialising in: business banking, commercial lending, franchising, unsecured business lending, low doc commercial loans, and start-up business lending.
Special responsibilities:	Director of Business Development
Name:	Filippo Sciacca
Title:	Mr
Qualifications:	Mr Sciacca has a Bachelor of Laws from the Queensland University of Technology and commenced his career as a property lawyer at Sciaccas Lawyers and Consultants in 1987 before pursuing a career in property development.
Experience and expertise:	Mr Sciacca was a Director of Kozmic Developments, a property development group between 1997 and 2016, during which time the Kozmic group developed over 400 apartments in and around the Brisbane.Mr Sciacca has worked across the property development industry for over 20 years and has extensive expertise in relation to the property market.
Special responsibilities:	Director of Investor Relations, Asset Management & Compliance

Review of operations

Revenue of $2,719,486 less expenses of $1,429,238 resulted in a distribution to Unitholders of $1,290,248 (2021: $493,315).

Principal activities

The principal activity of the Fund during the year was the provision of regular monthly income through a selection of investments in short-term registered first mortgage loans. Unitholders are provided with a fixed rate, fixed term interest only investment.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Fund during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Likely developments and expected results of operations
The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Environmental regulation
The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers
The Responsible Entity has indemnified the Directors and executives of the Responsible Entity for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Responsible Entity paid a premium in respect of a contract to insure the Directors and executives of the Responsible Entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Responsible Entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Responsible Entity or any related entity against a liability incurred by the auditor.

During the financial year, the Responsible Entity has not paid a premium in respect of a contract to insure the auditor of the Responsible Entity or any related entity.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates
Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 13 of the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates for the year ended 30 June 2022 are disclosed in note 13 of the financial statements.

Interests in the Fund
The movement of units on issue in the Fund during the year are disclosed in note 10 of 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.

Proceedings on Behalf of the Fund
The Fund was not a party to any such proceedings during the year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included in these financial statements.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Richard Taylor Director	Kosta Giovanos Director	Filippo Sciacca Director

30 September 2022

Grant Thornton Audit Pty Ltd
King George Central
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Brisbane QLD 4000
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Brisbane QLD 4001

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Auditor's Independence Declaration

To the Directors of ASCF Premium Capital Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of ASCF Premium Capital Fund for the year ended 30 June 2022, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 30 September 2022

ASCF Premium Capital Fund
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General information

The financial statements cover ASCF Premium Capital Fund as an individual entity. The financial statements are presented in Australian dollars, which is ASCF Premium Capital Fund's functional and presentation currency.

The Fund is an Australian Registered Scheme and was constituted on the 20th December 2019. Australian Secure Capital Fund Ltd (the Responsible Entity for the Fund) is incorporated and domiciled in Australia and acts as the manager of the Fund. Its registered office and principal place of business are:

Registered office

Level 1, 50 Park Road
MILTON
QLD 4064

Principal place of business

Level 1, 50 Park Road
MILTON
QLD 4064

A description of the nature of the Fund's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2022.

ASCF Premium Capital Fund
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Revenue			
Interest Income		2,467,881	795,957
Mortgage Income		251,605	9,133
Total revenue & other income		2,719,486	805,090
Expenses			
Performance Fees	13	(1,401,514)	(288,558)
Other Expenses		(27,724)	(23,217)
Total expenses		(1,429,238)	(311,775)
Operating profit/(loss)		1,290,248	493,315
Finance costs attributed to Unitholders			
Distributions to Unitholders	3	(1,290,248)	(493,315)
Profit/(Loss) for the year		-	-
Other Comprehensive Income			
Total other comprehensive income		-	-
Total comprehensive income attributable to Unitholders		-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ASCF Premium Capital Fund
Statement of financial position
As at 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Assets			
Cash and cash equivalents	5	2,473,514	8,094,711
Loans Receivable	6	26,893,477	9,739,673
Other Receivables	7	65,878	2,041
Total assets		29,432,869	17,836,425
Liabilities			
Trade and other payables	8	84,561	182,735
Borrowings	9	13,544	10,450
Total liabilities (excluding net assets attributed to Unitholders)		98,105	193,185
Net assets attributable to Unitholders liability		29,334,764	17,643,240

The above statement of financial position should be read in conjunction with the accompanying notes

ASCF Premium Capital Fund
Statement of changes in equity
For the year ended 30 June 2022

	30 June 2022 $	30 June 2021 $
Total equity at the beginning of the year	-	-
Profit/(Loss) for the year	-	-
Other comprehensive income for the year	-	-
Transactions with Unitholders in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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 end of the year.

The above statement of changes in equity should be read in conjunction with the accompanying notes

ASCF Premium Capital Fund
Statement of cash flows
For the year ended 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Borrower interest repayments		2,460,139	790,399
Interest received on cash		7,742	5,558
Management fees on mortgages		216,400	9,473
Other operating expenses		(56,719)	(24,875)
Performance Fees Paid to the Responsible Entity		(1,500,097)	(106,325)
Loans Advanced to Borrowers		(32,521,978)	(11,730,065)
Loans Repaid by Borrowers		15,368,946	6,656,280
Net cash used in operating activities	11	(16,025,567)	(4,399,555)
Cash flows from financing activities			
Distributions paid	3	(1,290,248)	(493,315)
Advances from/(Repayments to) Responsible Entity		3,094	55
Unitholders Funds Received from Investors		17,048,291	16,146,230
Unitholders Funds Paid to Investors		(5,356,767)	(3,523,000)
Net cash inflow from financing activities		10,404,370	12,129,970
Net increase/(decrease) in cash and cash equivalents		(5,621,197)	7,730,415
Cash and cash equivalents at the beginning of the financial year		8,094,711	364,296
Cash and cash equivalents at the end of the financial year	5	2,473,514	8,094,711

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General Information

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Unless otherwise stated, the financial statements have been prepared under the historical cost convention and the accounting policies adopted are consistent with those of the previous year. Assets and liabilities have been presented in order of liquidity, providing reliable and more relevant information, due to the nature of activities of the Fund. The amounts presented in the financial statements have been rounded to the nearest dollar.

New or amended Accounting Standards and Interpretations adopted

The Fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current financial year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Fund.

Note 2. Significant accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. 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 in note 2(m).

(a) Redeemable Units

All redeemable units issued by the Fund provide investors with the right to require redemption for cash. The Fund's obligation to redeem units is set out in the Product Disclosure Statement.

(b) Capital Management

The Responsible Entity manages its net assets attributable to Unitholders as capital. The amount of net assets attributable to Unitholders can change on a daily basis in accordance with the provisions of the Product Disclosure Statement.

The Fund is not subject to any externally imposed capital requirements.

(c) Net assets attributable to Unitholders

Units are redeemable at the Unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the Unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income, in accordance with the Fund's constitution.

The units can be put back to the Fund in line with the requirements outlined in the Product Disclosure Statement of the Fund. The units are carried at the redemption amount that is payable at reporting date if the holder exercises the right to put the unit back to the Fund.

(d) Expenses

All expenses, including Responsible Entity's fees, are recognised in profit and loss on an accrual basis.

(e) Income Tax

Under current legislation, the Fund is not subject to income tax as Unitholders are presently entitled to the income of the Fund.

Note 2. Significant accounting policies (continued)

(f) Distributions

The Fund distributes its distributable income, in accordance with the Fund's constitution, to Unitholders by cash or reinvestment. The distributions are recognised in profit and loss as finance costs attributable to Unitholders.

(g) Increase/decrease in net assets attributable to Unitholders

Income not distributed is included in net assets attributable to Unitholders. Movements in net assets attributable to Unitholders are recognised in profit and loss as finance costs.

(h) Financial Instruments

Recognition & Derecognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income;
- or fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset;
- and the business model for managing the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

After initial recognition these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's loans receivable fall into this category of financial instruments.

Subsequent measurement of financial liabilities

Non−derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Note 2. Significant accounting policies (continued)

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non−cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:
- the right to receive cash flows from the asset has been expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment of financial assets
The Fund recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses (ECL) are the probability−weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Impairment of loans receivable
The Fund uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

Shortfalls on the amount invested in mortgage investments are borne by Fund investors as ordinary investment risk.

For impairment provisioning purposes, the Responsible Entity allocates all mortgage investments into three distinct classifications: performing, under−performing and non−performing. In assessing the classification of mortgage investments the Responsible Entity has defined a default as the point in time it forms a view that the principal loan balance owed to the Fund on any loan receivable will not be repaid in full and has assessed the risk of such default in determining the categorisation of each loan.

Loans receivable migrate through the following classifications based on the change in credit risk since initial recognition:

Performing
The Fund collectively assesses ECL's on exposures, where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Fund recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Expected shortfalls (credit losses) are forecast based on historical loss experience for a 12−month period, the loan to valuation ratio, security location and borrower exit strategy. The Fund assesses loans monthly and does not provide mortgage investments with terms greater than 12 months. Since inception, the Fund has not incurred a charge nor provisioned for a loss and the principal of all loans have been recovered in full.

Note 2. Significant accounting policies (continued)

The Fund classifies a mortgage investment as Past Due and Performing when the investment is in arrears and interest greater than 30 days is outstanding and one or more of the following applies:
- The Fund has received notice of refinance of the mortgage investment or sale of the secured property; or
- An assessment has been made that as at the date of the assessment the Responsible Entity forms the view that the principal loan amount owed to the Fund will be repaid in full; or
- The loan to valuation ratio applicable to the mortgage investment is sufficiently low based on the location of the security property that the Responsible Entity forms the view that the principal loan amount owed to the Fund will be repaid in full.

The Fund also considers forward looking information to assess whether the historical loss rate is inconsistent with expectations taking into account future economic conditions such as unemployment rates, inflation, interest rates and other macro−economic data both nationally and internationally.

Under−Performing
The Fund collectively assesses ECL's on exposures where there has been a significant deterioration in credit risk since initial recognition but are not credit impaired. The Fund classifies a mortgage investment as under-performing when the following occurs:
i) they are in arrears and interest greater than 30 days is outstanding;
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property; and
iii) whilst the Fund has assessed the mortgage investment as part of the expected credit loss allowance at year end, further analysis is required before the mortgage investment is able to be transitioned to one of the other credit risk classifications.

The Fund will conduct an individual assessment on under−performing loans and the increase in credit risk is not, of itself, an event that could have detrimental impact on future cash flows. The Fund does not hold mortgage investments with an initial term greater than 12 months.

Non−Performing
The Fund identifies individually, ECL's on those exposures that are assessed as credit impaired based on objective evidence of impairment. The Fund estimates loss provisioning on a non−performing categorised investment when there are quantitative or qualitative factors indicating that an individual mortgage investment may be impaired. The provision is determined as the expected shortfall between the outstanding balance and the mortgage security after accounting for cost of realisation.

Quantitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:
i) in arrears and interest greater than 90 days is outstanding;
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property; and
iii) an assessment has been made that as at the date of the assessment the Responsible Entity forms the view that the principal loan amount owed to the Fund on any loan receivable will not be repaid in full.

Qualitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:
i) the nature and substance of communication with borrowers in arrears; and
iI) assessment of past performance of similar loans, including characteristics such as collateral location, loan purpose and exit strategy.

Impairments are offset by the recognition of charge-offs against performance fees payable to the Responsible Entity. The charge-offs are crystallised as a reduction in performance fees at the same time as the shortfall on the investment (loan) is crystallised. The provision for charge-offs is ordinarily funded by reserves maintained by the Responsible Entity to offset credit risk. The use of the reserve account and the recognition of charge-offs against performance fees payable to the Responsible Entity is at the discretion of the Directors of the Responsible Entity.

Determining the stage for impairment
At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for exposure since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Fund considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, where appropriate, forward−looking analysis.

Note 2. Significant accounting policies (continued)

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses a previously assessed significant increase in credit risk since origination, then the allowance for expected credit losses reverts from its lifetime ECL to a 12−month ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The allowance for credit losses for these loans receivable are based on a 12−month ECL.

Loans that are credit impaired at the reporting date are presented at the value of the difference between estimated future cash flows discounted by the effective interest rate and the gross carrying amount. This difference is reported as an impairment provision.

Credit quality of loans receivable
The Fund has an internally developed credit rating scale derived from historical data to assess the potential default risk in lending. The Fund has pre−defined counterparty probabilities of default across loans receivable.

Inputs, assumptions and techniques used for estimating impairment
In assessing the impairment of loans receivable under the ECL model, the Fund defines default generally when the Responsible Entity (Australian Secure Capital Fund Ltd) forms the view that it is unlikely that the principal loan amount owed to the Fund on any loan receivable will be repaid in full.

Recognition of expected credit losses in financial statements
At each reporting date, the Fund recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset. In assessing these risks, the Directors rely on readily available information such as loan to valuation ratios (LVR's). In addition, the Directors consider other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Fund recognises for this instrument lifetime expected credit losses.

(i) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short−term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Revenue Recognition (including interest income)
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All mortgage revenue is stated net of the amount of goods and services tax. Revenue earned on loans receivable (not recognised on the Fund’s Balance Sheet, but the cash flows of which pass through the Fund), are measured at the fair value of the consideration received or receivable. Fees on loans receivable are recognised as revenue in the period during which the related services are provided to the borrower or the determining event or circumstance is completed.

Loan management fees charged and costs recoverable by the Fund are brought to account on an accruals basis. These include expenses related to the acquisition and management of loans receivable (broker and recovery fees) which are on-chargeable by the Fund to third parties. These expenses are accounted for in full in the period in which the expense becomes due. Similarly, application fees and extension fees are recognised as revenue when the loan is either disbursed or renegotiated.

(k) Goods and Services Tax (GST)
Management fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Tax Office (ATO) as a Reduced Input Tax Credit (RITC) at a rate of 75% of GST.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Note 2. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in payments for operating expenses.

(l) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

Key Estimates

(m) Impairment

The Fund assesses impairment at the end of each financial year by evaluating the conditions and events specific to the Fund that may be indicative of impairment triggers. Recoverable amounts of relevant assets are assessed in accordance with key assumptions outlined in note 2(i).

AASB 9 requires the Fund to recognise an additional impairment provision for loans receivable that are not in default. The financial impact of the application of AASB 9 is disclosed in Note 6. The recognition of the additional impairment provision within loans receivables in the Statement of Financial Position are offset by an additional charge-off against the performance fees payable to the Responsible Entity. Any charge-offs are disclosed in Note 8.

No impairment has been recognised in respect of loans receivable for the period year 30 June 2022 (2021: nil).

(n) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Fund based on known information. This consideration extends to the nature of the products and services offered, borrowers, staffing and geographic regions in which the Fund operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Fund unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 3. Unitholders Distributions

Distributions paid and payable by the fund for the year are:	30 June 2022 $	30 June 2021 $
Distributions paid during the year	1,290,248	493,315
Total distributions paid during the year	1,290,248	493,315

Note 4. Auditor's Remuneration

Remuneration of the auditor of the fund for:	30 June 2022 $	30 June 2021 $
Auditing or reviewing the financial statements	10,650	14,713
Audit of compliance plan	2,460	2,200
Total auditor's remuneration	13,110	16,913

Note 5. Cash and cash equivalents

	30 June 2022 $	30 June 2021 $
Cash on hand	10	10
Cash at bank	2,473,504	8,094,701
Total cash and cash equivalents	2,473,514	8,094,711

Cash at bank is restricted, as the Funds are either investor Funds not yet invested in a mortgage or borrowers funds held in Fund.

Reconciliation of cash

Cash at end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	30 June 2022 $	30 June 2021 $
Cash on hand	10	10
Cash at bank	2,473,504	8,094,701
Total cash and cash equivalents	2,473,514	8,094,711

Note 6. Loans Receivable

	30 June 2022 $	30 June 2021 $
Loans Receivable	26,893,477	9,739,673

a. Financial Commitments
As at the end of the financial year, the Fund has no undrawn loan commitments (2021: nil).

b. Credit Risk
The Fund has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Fund is considered to relate to the class of assets described as 'loans receivable".

Assessed on terms of principal outstanding	30 June 2022 No.	30 June 2022 $	30 June 2021 No.	30 June 2021 $
Loan to Valuation Ratio >81%	-	-	-	-
Loan to Valuation Ratio 71 - 80%	-	-	-	-
Loan to Valuation Ratio 61 - 70%	13	8,546,045	5	2,815,600
Loan to Valuation Ratio 51 - 60%	10	9,235,750	8	5,571,500
Loan to Valuation Ratio 41 - 50%	4	1,765,000	2	328,772
Loan to Valuation Ratio 25 - 40%	4	6,135,000	4	666,000
Loan to Valuation Ratio <25%	4	1,279,581	4	380,640
	35	26,961,831	23	9,762,512

Note 6. Loans Receivable (continued)

Assessed on terms of total amounts outstanding	30 June 2022 No.	30 June 2022 $	30 June 2021 No.	30 June 2021 $
Loan to Valuation Ratio >81%	-	-	-	-
Loan to Valuation Ratio 71 - 80%	4	1,819,108	1	491,666
Loan to Valuation Ratio 61 - 70%	10	7,499,467	4	2,309,946
Loan to Valuation Ratio 51 - 60%	9	8,321,211	8	5,572,656
Loan to Valuation Ratio 41 - 50%	4	1,778,934	2	331,400
Loan to Valuation Ratio 25 - 40%	4	6,154,563	4	655,090
Loan to Valuation Ratio <25%	4	1,320,194	4	378,915
	35	26,893,477	23	9,739,673

c. Impairment of Financial Assets
Expected credit losses are assessed by the Fund in accordance with the accounting policies outlined in Note 2(i). The Directors have performed an assessment of expected credit losses in relation to loans receivable in the statement of financial position as at the end of the financial year, and have determined that there has been no significant increase in credit risk during the year.

As at 30 June 2021, the Fund had no Loans Receivable that had been classified as impaired.

As at 30 June 2022, the Fund had no Loans Receivable that had been classified as impaired.

d. Collateral Held as Security
All loans receivable are secured with registered mortgages against real Australian property, as defined in the Fund's Product Disclosure Statement.

e. Collateral Pledged
No trade and other receivable balances have been pledged as collateral.

f. Fair Value
Loans receivable are expected to be recovered within a short term and fair value is therefore equivalent to carrying amount.

Note 6. Loans Receivable (continued)

g. Loans Receivable Performance Analysis

An analysis of the outstanding loans receivable is detailed below:

	30 June 2022 No. of Loans	30 June 2022 $	30 June 2021 No. of Loans	30 June 2021 $
Past due but performing:				
Performing				
31 − 90 days	2	4,292,244	1	491,816
91 − 180 days	1	969,660	-	-
181 + days	1	230,705	-	-
Mortgage in possession	-	-	-	-
Past due but performing	4	5,492,609	1	491,816
Past due but under performing:				
Under−performing				
31 − 90 days	-	-	-	-
91 − 180 days	-	-	-	-
181 + days	-	-	-	-
Mortgage in possession	-	-	-	-
Past due and under−performing	-	-	-	-
Impaired and Past Due (non-performing)				
Non−performing				
31 − 90 days	-	-	-	-
91 − 180 days	-	-	-	-
181 + days	-	-	-	-
Mortgage in possession	-	-	-	-
Total impaired and past due (non-performing)	-	-	-	-
Total past due	4	5,492,609	1	491,816

Only loans and receivables that are past due in excess of 30 days are assessed and allocated into the above three categories.

Note 7. Other Receivables

	30 June 2022 $	30 June 2021 $
Management Fees Receivable	38,754	-
GST Refundable	27,124	2,041
Total other receivables	65,878	2,041

Note 8. Trade and other payables

	30 June 2022 $	30 June 2021 $
Performance Fees Payable	83,650	182,233
Foreign Withholding Tax Payable	369	139
Other Creditors	542	363
Total trade and other payables	84,561	182,735

a. Financial liabilities at amortised cost classified as trade and other payables:

Note 8. Trade and other payables (continued)

	30 June 2022 $	30 June 2021 $
Trade and Other Payables		
- Total	84,561	182,735

b. The fair value of financial liabilities (including trade and other payables) is equivalent to their carrying amount.

Note 9. Borrowings

	30 June 2022 $	30 June 2021 $
Loan - Australian Secured Capital Fund Ltd	13,544	10,450
Total borrowings	13,544	10,450

Note 10. Issued Units

a. Units on Issue

The Fund has authorised 29,334,764 (30 June 2021: 17,643,240) units on issue at $1 each amounting to $29,334,764 (30 June 2021: $17,643,240).

	30 June 2022 $	30 June 2021 $
Number of fully paid units		
At beginning of the financial year	17,643,240	5,020,010
Units issued during the year	17,048,291	27,773,245
Units redeemed during the year	(5,356,767)	(15,150,015)
At the end of the financial year	29,334,764	17,643,240

Units are of equal value and unit holders are entitled to share in the income of ASCF Premium Capital Fund in proportion to their unit holding. Upon liquidation each unit holder is entitled to a pro rata share of the Fund's net assets.

b. Capital Management

Management controls the capital of the Fund to ensure that adequate cash flows are generated to Fund its lending portfolio programs and that returns from investments are maximised. The Responsible Entity ensures that the overall risk management strategy is in line with this objective.

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and applications to the Fund. The Fund is not subject to externally imposed capital requirements and issues and redeems units in accordance with the constitution and Product Disclosure Statement.

The Fund's objectives for managing capital, being net assets attributable to unitholders is to manage the recoverability of the loans in consultation with unitholders and borrowers such that capital value of unitholders Funds is not compromised.

The Responsible Entity operates under policies approved by it. Risk management policies are approved and reviewed by the Responsible Entity on an annual basis. These include credit risk policies and future cash flow requirements. The Fund's capital consists of financial liabilities, supported by financial assets.

Note 11. Cash Flow Information

	30 June 2022 $	30 June 2021 $
Reconciliation of profit to unitholders with net cash provided by operating activities		
- Profit/(loss) for the year	-	-
- Profit/(loss) before investor distributions	1,290,248	493,315
- (Increase)/decrease in loans receivable	(17,153,804)	(5,073,785)
- (Increase)/decrease in other receivables	(64,200)	(1,318)
- Increase/(decrease) in trade and other payables	(97,811)	182,233
Net cash used in operating activities	(16,025,567)	(4,399,555)

Note 12. Events after the financial year

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Note 13. Related Party Transactions

a. Responsible Entity
The Responsible Entity of ASCF Premium Capital Fund is Australian Secure Capital Fund Ltd.

b. Key Management Personnel:
The Directors of the Responsible Entity at Note 13(a) are considered to be Key Management Personnel (KMP) of the Fund. The following Directors of the Responsible Entity were in office during the year and up to the date of the report:

Richard John Taylor
Kosta Nicholas Giovanos
Filippo Sciacca

Key management personnel services are provided by Australian Secure Capital Fund Ltd and are included in the performance fees disclosed in note 13(c) below.

c. Other related parties
Other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Performance fees are paid to the Responsible Entity for the management of the Loans and Investors. The performance fee is calculated and payable monthly. The performance fee is calculated as the balance of the Fund's returns after the payment of all fixed interest payments to investors and other expenses of the Fund. Total performance fees paid or payable in the 30 June 2022 financial year equate to $1,401,514 (30 June 2021: $288,558).

There is an unsecured loan from the Responsible Entity for $13,544 (30 June 2021: $10,450) in relation to auditing fees paid by the Responsible Entity at 30 June 2022.

Note 14. Key Management Personnel Unitholdings

Associates of Key Management Personnel of Filippo Sciacca, Kosta Giovanos & Richard Taylor held units in the Fund as follows:

	30 June 2022 $	30 June 2021 $
Opening investments by related parties	-	-
Investments placed by related parties during the year	1,140,000	-
Redemptions paid to related parties during the year	(1,140,000)	-
Investments in the Fund at balance date	-	-
Distributions received by related parties from the Fund	12,932	-

No key management personnel have entered into any transactions with the Fund during the year and there were no material balances involving key management personnel's interests outstanding at year end.

Note 15. Commitments and contingencies

The Fund does not have any commitments, contingent assets or contingent liabilities as at 30 June 2022

Note 16. Financial Risk Management

Introduction
The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk Management Structure
The Fund’s Responsible Entity is responsible for identifying and controlling risks. The Directors of the Responsible Entity are ultimately responsible for the overall risk management approach within the Fund.

Risk Measurement and Reporting System
Monitoring and controlling risks is primarily performed based on policies established by the Responsible Entity. These policies reflect the business strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept.

Risk Mitigation
The Fund has developed investment guidelines as part of its overall business strategies and its general risk management.

Excessive Risk
Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or loans and advances are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund's policies and procedures include guidelines to focus on maintaining a diversified portfolio. The Responsible Entity will manage excessive risk concentrations when they arise.

Market Risk
Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Fund is not exposed to currency risk and other price risk; and the Fund does not trade in the financial instruments it holds on its books.

The Fund is not materially exposed to movements in interest rates as Loans Receivable and Unitholders Funds are on fixed interest terms, with only minimal cash and cash equivalents on variable interest rates.

Note 16. Financial Risk Management (continued)

Credit Risk - Loans

Credit risk is the risk that a borrower will cause a financial loss for the Fund, by failing to discharge an obligation (loan default). The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The compliance plan only allows loans to borrowers on initial application at a maximum loan to valuation ratio of 70%. Valuers are selected from a panel approved by the Board of Directors of the Responsible Entity that meet strict criteria.

The Fund minimises concentrations of credit risk in relation to Loans Receivable by undertaking transactions with a large number of customers within the specified category.

The maximum exposure to credit risk before any credit enhancements at the end of each financial year is the carrying amount of the financial assets.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its short-term payment commitments as they fall due. Mortgage loans are relatively illiquid compared to some other asset classes and delays may occur in converting these investments into cash. This may affect distributions and/or redemptions to investors. The Responsible Entity maintains a policy to minimise liquidity risk by holding assets of the Fund in liquid investments such as cash. Quarterly and annual cashflow forecasting is also used to help monitor future cash flow requirements.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows. Units are redeemed at the end of the investment term in line with the Product Disclosure Statement. The Directors do not envisage that the contractual maturity disclosed in the table will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

As at June 2022	Less than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $	Carrying Amount $
Performance fees payable	-	83,650	-	-	83,650
Withholding Tax Payable	-	369	-	-	369
Unsecured Liabilities	-	13,544	-	-	13,544
Other creditors	-	542	-	-	542
Net assets attributable to unitholders	272,000	13,632,935	11,329,010	4,100,819	29,334,764
Total	272,000	13,731,040	11,329,010	4,100,819	29,432,869

As at June 2021	Less Than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $	Carrying Amount $
Performance fees payable	-	182,233	-	-	182,233
Withholding tax payable	-	139	-	-	139
Unsecured liabilities	-	10,450	-	-	10,450
Other creditors	-	363	-	-	363
Net assets attributable to Unitholders	290,000	12,930,902	3,992,328	430,010	17,643,240
Total	290,000	13,124,087	3,992,328	430,010	17,836,425

Note 17. Fair Value Measurements

Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Note 17. Fair Value Measurements (continued)

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurement based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The valuation techniques selected by the Fund are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Loans and Receivables

The carrying value less expected credit losses of Loans Receivable is a reasonable approximation of their fair values. The allowance for expected credit losses are assessed each financial year by Directors as disclosed at note 2. Financial assets and liabilities are recorded at amortised cost.

The Responsible Entity of the Fund has a control framework in place to monitor the measurement of fair value, particularly in relation to Level 3 instruments. The principles of this control framework are based on the following activities:

- Compliance Committee Meeting;
- Compliance Plan guidelines to determine appointment and engagement of approved registered valuers;
- Compliance Monitoring;
- Review of the Fund's Strategy; and
- Due diligence over new loans and rollover of loan facilities.

Note 18. Net Assets Attributable to Unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2022 No.	30 June 2022 $	30 June 2021 No.	30 June 2021 $
Opening Balance	17,643,240	17,643,240	5,020,010	5,020,010
Applications	17,048,291	17,048,291	16,146,230	16,146,230
Redemptions net of amounts rolled over	(5,356,767)	(5,356,767)	(3,523,000)	(3,523,000)
Closing Balance	29,334,764	29,334,764	17,643,240	17,643,240

As stipulated within the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed at the end of the investment term in line with the product disclosure statement, however, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the financial year cannot be reliably determined.

ASCF Premium Capital Fund
Directors' declaration
For the year ended 30 June 2022

In accordance with a resolution of the Directors of ASCF Premium Capital Fund, the Directors of the trustee company declare that:

- the financial statements and notes, present fairly the Fund's financial position as at 30 June 2022 and its performance for the year ended on that date in accordance with the Corporations Act 2001, including:

- in the Director's opinion there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

- Note 1 confirms that the financial statements comply with international Financial Reporting Standards as issued by the International Accounting Standards Board.

Directors

Richard Taylor Director	Kosta Giovanos Director	Filippo Sciacca Director

30 September 2022

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Independent Auditor's Report

To the Members of ASCF Premium Capital Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of ASCF Premium Capital Fund (the Scheme), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Scheme's financial position as at 30 June 2022 and of its performance for the year ended on that date; 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 are independent of the Scheme in accordance with 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.

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

Information other than the financial report and auditor's report thereon

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Scheme's report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 30 September 2022