ASCF Select Income Fund

ARSN 616 367 410

Interim Financial Report - 31 December 2024

The Directors of Australian Secure Capital Fund Ltd (the 'Responsible Entity'), the Responsible Entity of ASCF Select Income Fund (the 'Fund'), submit their report together with the interim financial statements of the Fund for the half-year ended 31 December 2024.

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 Taylor
Anthony Russo – appointed 24th January 2025
Kosta Giovanos – resigned 24th January 2025
Filippo Sciacca

Information on Directors

Name:	Richard Taylor (Company Secretary)
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), 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 and is RG146 compliant. 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 41 years.
Special responsibilities:	Chief Executive Officer & Director of Finance
Name:	Anthony Russo
Title:	Mr
Qualifications:	Mr Russo brings over 38 years of business leadership and entrepreneurial experience to ASCF, having founded and directed Australian companies across retail, construction, manufacturing, marketing and hospitality.
Experience and expertise:	Most notably, Mr Russo was the founder and director of Pizza Capers, growing the brand to over 120 stores nationally and internationally. Following the successful sale of the company, his deep interest in investment led him into the private lending sector, where he has spent the past 12 years gaining extensive experience in alternative finance and structured lending solutions.
Special responsibilities:	Non-Executive Director

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. Mr Sciacca has also completed RG146 Tier 1 Securities and Managed Investments course.
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 Area. Mr Sciacca has worked across the property development industry for over 23 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 $3,379,020 less expenses of $1,627,912 resulted in a distribution to Unitholders of $1,751,108 (6 months to December 2023: $1,452,876).

Significant changes in the state of affairs
There were no other significant changes in the state of affairs of the Fund during the half-year.

Principal activities
The principal activity of the Fund during the half-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.

Matters subsequent to the end of the reporting period
No matter or circumstance has arisen since the end of the half-year 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 periods.

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.

The Responsible Entity has 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 half-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 half-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 half-year are disclosed in Note 14 of the interim financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates for the period ended 31 December 2024 are disclosed in Note 15 of the interim financial statements.

Interests in the Fund
The movement of units on issue in the Fund during the half-year are disclosed in Note 11 of the interim 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 2 to the interim financial statements.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in these interim financial statements.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 331AAA of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 306 of the Corporations Act 2001.

On behalf of the Directors

Richard Taylor	Anthony Russo	Filippo Sciacca
Director	Director	Director

3 March 2025

Grant Thornton Audit Pty Ltd
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Brisbane QLD 4000
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Auditor's Independence Declaration

To the Directors of Australian Secure Capital Fund Ltd, the Responsible Entity of ASCF Select Income Fund

In In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of ASCF Select Income Fund for the half-year ended 31 December 2024, 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

A F Newman
Partner – Audit & Assurance

Brisbane, 3 March 2025

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General information

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

The Fund is an Australian Registered Scheme and was constituted on the 22nd December 2016. 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. The Fund's 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 interim-financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 3 March 2025.

ASCF Select Income Fund
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

	Note	31 December 2024 $	31 December 2023 $
Revenue			
Interest revenue	4	3,379,020	2,847,295
Total revenue & other income		3,379,020	2,847,295
Expenses			
Impairment reversal	6	154,008	2,501
Legal & compliance fees		(3,817)	(141,350)
Performance fees	14	(1,766,827)	(1,245,379)
Other expenses		(11,276)	(10,191)
Total expenses		(1,627,912)	(1,394,419)
Operating profit		1,751,108	1,452,876
Distributions to Unitholders		(1,751,108)	(1,452,876)
Income tax expense		-	-
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		-	-

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

ASCF Select Income Fund
Statement of financial position
As at 31 December 2024

	Note	31 December 2024 $	30 June 2024 $
Assets			
Cash and Cash Equivalents	5	10,042,632	4,301,140
Loans Receivable	6	40,869,808	41,416,745
Other Receivables	7	23,903	1,163
Other Assets	8	-	287,264
Total assets		50,936,343	46,006,312
Liabilities			
Trade and Other Payables	9	85,633	1,154
Borrowings	10	26,950	15,950
Total liabilities (excluding net assets attributable to Unitholders)		112,583	17,104
Net assets attributable to Unitholders		50,823,760	45,989,208

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

ASCF Select Income Fund
Statement of changes in equity
For the half-year ended 31 December 2024

	31 December 2024 $	31 December 2023 $
Total equity at the beginning of the period	-	-
Profit/(Loss) for the period	-	-
Other comprehensive income for the period	-	-
Transactions with unitholders in their capacity as owners	-	-
Total equity at the end of the financial period	-	-

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 period.

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

ASCF Select Income Fund
Statement of cash flows
For the half-year ended 31 December 2024

	Note	31 December 2024 $	31 December 2023 $
Cash flows from operating activities			
Borrower interest repayments		3,355,703	2,838,358
Interest received on cash		175,995	61,219
Other operating expenses		(297,771)	(217,988)
Performance fees paid to the Responsible Entity		(1,417,824)	(1,009,811)
Loans advanced to Borrowers		(35,819,790)	(8,362,100)
Loans repaid by Borrowers		36,650,735	8,612,166
Net cash from operating activities	12	2,647,048	1,921,844
Cash flows from financing activities			
Distributions paid		(1,751,108)	(1,452,876)
Advances from/(Repayments to) the Responsible Entity		11,000	(6,105)
Unitholders funds received from Investors	19	7,921,552	5,905,500
Unitholders funds paid to Investors	19	(3,087,000)	(6,097,931)
Net cash from/(used in) financing activities		3,094,444	(1,651,412)
Net increase in cash and cash equivalents		5,741,492	270,432
Cash and cash equivalents at the beginning of the financial half-year		4,301,140	5,165,058
Cash and cash equivalents at the end of the financial half-year	5	10,042,632	5,435,490

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

Note 1. General Information

Basis of Preparation
These interim financial statements for the reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

These interim 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 2024.

Unless otherwise stated, the interim financial statements have been prepared under the historical cost convention and the accounting policies adopted are consistent with those of the previous financial 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 interim 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 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. Material accounting policies & associated changes

The accounting policies that are material to the Fund are set out either in the respective notes or below.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim 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 period are discussed in Note 3.

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

(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) 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 based 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.

(c) 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. Material accounting policies & associated changes (continued)

(d) 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).

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 the statement of profit or loss and other comprehensive income.

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 four distinct classifications: low-risk, 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:

Low-Risk

The Fund classifies a mortgage investment as low-risk when one of more of the following apply:

i) no loan amounts are in arrears;
ii) the Fund has received tangible evidence that the mortgage investment will be repaid in full by an agreed date; and
iii) adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund will opt for an operational simplification approach on low-risk loans at the initial reporting date, the Fund assumes that the credit risk has not increased significantly since initial recognition and accordingly that it can continue to recognise a loss allowance of 12−month expected credit loss. In order to make such determination that the mortgage investment has low credit risk, the Fund applies its internal credit risk ratings. Expected shortfalls (credit losses) are forecast based on historical lifetime loss experience.

The Fund also considers forward-looking information to address whether the historical loss rate is inconsistent with expected economic conditions such as unemployment rates, lending indicators and property prices. This category of loans receivable is referred to as a Stage 1 (or 12-month ECL) under AASB terminology. A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

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 a provision of 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.

Note 2. Material accounting policies & associated changes (continued)

The Fund classifies a mortgage investment as performing when the investment is in arrears and one or more of the following applies:

i) interest is in arrears greater than 30 days;
ii) The Fund has received notice of refinance of the mortgage investment or sale of the secured property;
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 will be repaid in full; or
iv) The loan to valuation ratio applicable to the mortgage investment is sufficiently low based on the location of the secured 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. These loans are considered Stage 2 (or lifetime ECL credit impaired) under AASB terminology.

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 90 days and less than 180 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. These loans are considered Stage 3 (or lifetime ECL credit impaired) under AASB terminology.

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. These loans are considered Stage 3 (or lifetime ECL credit impaired) under AASB terminology. Quantitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:

i) the mortgage investment is in arrears and interest greater than 181 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 and standard interest 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.

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. Material accounting policies & associated changes (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 a 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 interim 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.

(e) Recognition of interest revenue
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. The calculation of the effective interest rate includes transaction costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

(f) 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. 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.

(g) Allowance for expected credit losses
The Fund assesses the allowance for expected credit losses at the end of each financial year by evaluating the conditions and events specific to the Fund that may be indicative of credit loss triggers. Recoverable amounts of relevant assets are assessed in accordance with key assumptions outlined in Note 2d.

In accordance with AASB 9, the Fund recognises credit loss provisions for loans receivable that are not in default. Details of credit loss provisions are disclosed in Note 6. Credit loss provisions are offset by charge-offs against the performance fees payable to the Responsible Entity (at the discretion of the Directors of the Responsible Entity), as disclosed in Note 14.

Note 3. 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. Areas which include assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 31 December 2024 include the following:

- Expected credit losses and impairment of loans receivable.
- Recognising & assessing the collectability of interest revenue from mortgage and borrowing services.
- Determination & calculation of the effective interest rate.

Note 4. Financial instruments - interest revenue

	31 December 2024	31 December 2023
Interest revenue from loans receivable	3,203,025	2,786,076
Interest revenue from cash and cash equivalents	175,995	61,219
Total interest revenue	3,379,020	2,847,295

Interest revenue from financial assets

The Fund's primary source of interest income arises from its financial assets, which consist primarily of loans and other mortgage instruments. These financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method in accordance with AASB 9 "Financial Instruments."

The Fund recognises interest income in the statement of profit and loss and other comprehensive income as it accrues, taking into account the principal outstanding and the effective interest rate applicable to the financial asset. Any upfront fees or transaction costs incurred in originating the mortgage are recognised over the life of the mortgage as an adjustment to the effective interest rate.

Note 5. Cash and Cash Equivalents

	31 December 2024 $	30 June 2024 $
Cash at bank	10,042,632	4,301,140
Total cash and cash equivalents	10,042,632	4,301,140

Cash at bank is either Investor funds not yet attributed to a mortgage, Borrowers' funds held in the Fund or used to pay enforcement costs and meet other expenses of the Fund including fees, costs, expenses, withdrawals and distributions.

Reconciliation of cash

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

	31 December 2024 $	30 June 2024 $
Cash at bank	10,042,632	4,301,140
Total cash and cash equivalents	10,042,632	4,301,140

Note 6. Loans Receivable

	31 December 2024 $	30 June 2024 $
Loans Receivable	40,999,193	41,580,138
Less: Allowance for expected credit losses	(129,385)	(413,393)
Drawn commitments held in trust	-	250,000
Total loans receivable	40,869,808	41,416,745

a. Financial Commitments
As at the end of the half-year, the Fund has no undrawn loan commitments (30 June 2024: $0).

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'.

Principal outstanding	31 December 2024 No. of Loans	31 December 2024 $	30 June 2024 No. of Loans	30 June 2024 $
Loan to Valuation Ratio > 81%	3	3,464,463	3	2,545,727
Loan to Valuation Ratio 71 - 80%	1	1,935,000	4	3,566,250
Loan to Valuation Ratio 61 - 70%	9	14,187,000	10	13,625,000
Loan to Valuation Ratio 51 - 60%	5	2,415,000	5	6,961,500
Loan to Valuation Ratio 41 - 50%	13	15,059,790	11	9,747,100
Loan to Valuation Ratio 25 - 40%	1	175,000	2	1,847,463
Loan to Valuation Ratio < 25%	12	3,791,581	8	2,585,917
	44	41,027,834	43	40,878,957

Total loans outstanding	31 December 2024 No. of Loans	31 December 2024 $	30 June 2024 No. of Loans	30 June 2024 $
Loan to Valuation Ratio > 81%	3	3,959,484	5	4,304,915
Loan to Valuation Ratio 71 - 80%	4	5,478,725	8	12,416,993
Loan to Valuation Ratio 61 - 70%	5	8,973,081	4	3,306,525
Loan to Valuation Ratio 51 - 60%	7	4,623,301	6	10,632,425
Loan to Valuation Ratio 41 - 50%	11	12,761,561	9	6,080,602
Loan to Valuation Ratio 25 - 40%	3	1,839,758	3	2,739,639
Loan to Valuation Ratio < 25%	11	3,363,283	8	2,099,039
	44	40,999,193	43	41,580,138

c. Impairment of Financial Assets
Expected credit losses are assessed by the Fund in accordance with the accounting policies outlined in Note 2(g). 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 half-year, and have determined that there has been no significant increase in credit risk.

Current half-year allowance for expected credit losses represents 0.32% of total loans receivable (30 June 2024: 1.00%). Details of the provision and expense are below.

Note 6. Loans Receivable (continued)

Allowance for expected credit losses	31 December 2024 $	30 June 2024 $
Opening balance	413,393	400,503
Charge/(Reversal) to the statement of profit or loss	(284,008)	12,890
Closing balance	129,385	413,393

Impairment reversal	6 Months to 31 December 2024 $	6 Months to 31 December 2023 $
Loans receivable derecognised and written off	130,000	-
Net Shortfall/(Recovery)	130,000	-
Reversal to the provision	(284,008)	(2,501)
Impairment Reversal	(154,008)	(2,501)

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.

g. Loans Receivable Performance Analysis
An analysis of the outstanding loans receivable is detailed below:

Note 6. Loans Receivable (continued)

	31 December 2024 No. of Loans	31 December 2024 $	30 June 2024 No. of Loans	30 June 2024 $
Outstanding and Low-risk				
Low-risk:				
Less than 30 days in arrears	40	36,549,303	34	32,797,244
Mortgage in possession	-	-	-	-
Total low-risk	40	36,549,303	34	32,797,244
Past due and under-performing:				
Under−performing				
31 − 90 days	2	3,664,047	2	1,044,376
Mortgage in possession	-	-	2	722,035
Total past due and performing	2	3,664,047	4	1,766,411
Past due and under performing				
Under−performing				
91 − 180 days	2	785,843	-	-
Mortgage in possession	-	-	4	5,469,088
Total Past due and under-performing	2	785,843	4	5,469,088
Impaired and past due (non-performing):				
Non−performing				
181 +days	-	-	-	-
Mortgage in possession	-	-	1	1,547,395
Total impaired and past due (non-performing):	-	-	1	1,547,395
Total loans receivable	44	40,999,193	43	41,580,138

Note 7. Other Receivables

	31 December 2024 $	30 June 2024 $
GST Refundable	23,903	1,163
Total other receivables	23,903	1,163

Note 8. Other Assets

	31 December 2024 $	30 June 2024 $
Performance fees paid in advance	-	443,641
Performance fees payable	-	(156,377)
Total other assets	-	287,264

The Fund will pay performance fees monthly in arrears, calculated as the Fund’s income after deducting interest paid to unitholders and other expenses. Performance fees payable are typically recorded under trade and other payables (Note 9). The difference in recognition between reported performance fees payable (Note 9) and performance fees paid in advance arises from any adjustment to expected credit loss impairment charges in the profit or loss at the reporting period.

Note 9. Trade and Other Payables

	31 December 2024 $	30 June 2024 $
Performance Fees Payable	223,090	-
Less: Estimated Charge-Offs	(138,852)	-
Withholding Tax Payable	1,395	304
Other Creditors	-	850
Total trade and other payables	85,633	1,154

Note 10. Borrowings

	31 December 2024 $	30 June 2024 $
Loan - Australian Secure Capital Fund Ltd	26,950	15,950
Total borrowings	26,950	15,950

Note 11. Issued Units

a. Units on Issue

The Fund has authorised 50,823,760 (30 June 2024: 45,989,208) units on issue at $1 each amounting to $50,823,760 (30 June 2024: $45,989,208).

	6 Months to 31 December 2024 No.	6 Months to 30 June 2024 No.
Number of fully paid units		
At beginning of the reporting period	45,989,208	45,378,698
Units issued during the period	7,921,552	4,545,500
Units redeemed during the period	(3,087,000)	(3,934,990)
At the end of the reporting period	50,823,760	45,989,208

Units are of equal value and Unitholders are entitled to share in the income of ASCF Select Income Fund in proportion to their Unitholding. Upon liquidation each Unitholder 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 Directors ensure 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 Directors operate under policies approved by it. Risk management policies are approved and reviewed by the Directors 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 12. Cash Flow Information

	31 December 2024 $	31 December 2023 $
Reconciliation of profit to unitholders with net cash provided by operating activities		
- Profit/(loss) for the period	-	-
- Profit/(loss) before investor distributions	1,751,108	1,452,876
- (Increase)/decrease in loans receivable	546,937	247,565
- (Increase)/decrease in other receivables	(22,740)	560,652
- (Increase)/decrease in other assets	287,264	(300,731)
- Increase/(decrease) in trade and other payables	84,479	(38,518)
Net cash inflow from operating activities	2,647,048	1,921,844

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 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 14. Related Party Transactions

The Fund's main related parties are as follows:

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

b. Key Management Personnel:
The Directors of the Responsible Entity at Note 14(a) are considered to be Key Management Personnel (KMP) of the Fund. The following Directors of the Responsible Entity were in office during the period and up to the date of the report:

Richard Taylor
Kosta Giovanos (resigned 24th January 2025)
Anthony Russo (appointed 24th January 2025)
Filippo Sciacca

Key management personnel services are provided by Australian Secure Capital Fund Ltd and are included in the performance fees disclosed in Note 14(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 in the 31 December 2024 financial half-year equate to $1,766,827 (6 months to 31 December 2023: $1,245,379).

There is an unsecured loan from the Responsible Entity for $26,950 in relation to auditing fees paid by the Responsible Entity at 31 December 2024. (30 June 2024: $15,950).

Note 14. Related Party Transactions (continued)

	31 December 2024 $	30 June 2024 $
Loans with related parties		
Australian Secured Capital Fund Ltd	26,950	15,950
Total loans with related parties	26,950	15,950

The Fund received an interest-free loan from the Responsible Entity. The proceeds from the interest-free loan are used for the payment of audit fees. The loan is provided to support the Fund's working capital needs and operational requirements. There are no specific repayment terms or conditions attached to the loan. Repayment will be made at the discretion of the ASCF Select Income Fund when the Fund is financially capable.

Note 15. Key Management Personnel Unitholdings

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

	6 months to 31 December 2024 $	6 months to 31 December 2023 $
Opening investments by related parties	3,000,000	3,000,000
Investments placed by related parties during the period	-	-
Redemptions paid to related parties during the period	-	-
Investments in the fund at balance date	3,000,000	3,000,000
Distributions received by related parties from the fund	130,060	130,060
Total distributions paid to related parties	130,060	130,060

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 period end.

Note 16. Commitments and contingencies

The Fund does not have any commitments, contingent assets or contingent liabilities as at 31 December 2024.

Note 17. 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 Responsible Entity is 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.

Note 17. Financial Risk Management (continued)

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 board 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.

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 80%. 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 reporting period 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 on the next page 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 31 December 2024	Less than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $	Total $
Financial Liabilities					
Performance fees payable	-	84,238	-	-	84,238
Withholding tax payable	-	1,395	-	-	1,395
Unsecured liabilities	-	26,950	-	-	26,950
Net assets attributable to unitholders	4,685,200	27,866,195	16,605,355	1,667,010	50,823,760
	4,685,200	27,978,778	16,605,355	1,667,010	50,936,343

Note 17. Financial Risk Management (continued)

As at June 2024	Less than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $	Total $
Financial Liabilities					
Other creditors	-	850	-	-	850
Unsecured liabilities	-	15,950	-	-	15,950
Net assets attributable to Unitholders	444,000	23,357,114	18,170,084	4,018,010	45,989,208
	444,000	23,373,914	18,170,084	4,018,010	46,006,008

Note 18. 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:

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 month by Directors as disclosed at Note 2. Financial assets and liabilities are recorded at amortised cost. As such, the amount expected to be settled within twelve months after the end of the half-year cannot be reliably determined.

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 19. Net Assets Attributable to Unitholders

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

Note 19. Net Assets Attributable to Unitholders (continued)

	6 Months to 31 December 2024 No.	6 Months to 31 December 2024 $	6 Months to 30 June 2024 No.	6 Months to 30 June 2024 $
Opening Balance	45,989,208	45,989,208	45,378,698	45,378,698
Applications	7,921,552	7,921,552	4,545,500	4,545,500
Redemptions	(3,087,000)	(3,087,000)	(3,934,990)	(3,934,990)
Closing Balance	50,823,760	50,823,760	45,989,208	45,989,208

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 on 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 half-year cannot be reliably determined.

ASCF Select Income Fund
Directors' declaration
31 December 2024

In accordance with a resolution of the Directors of ASCF Select Income Fund, the Directors of the Responsible Entity declare that:

- The interim financial statements and notes, present fairly the Fund's financial position as at 31 December 2024 and its performance for the half-year ended on that date in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of its financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

- Complying with Australian Accounting Standards AASB 134 Interim Financial Reporting; and

There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Richard Taylor Director	Anthony Russo Director	Filippo Sciacca Director

3 March 2025

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Independent Auditor's Review Report

To the Members of ASCF Select Income Fund

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of ASCF Select Income Fund (the Scheme), which comprises the statement of financial position as at 31 December 2024, 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, including material accounting policy information, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of ASCF Select Income Fund does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the ASCF Select Income Fund's financial position as at 31 December 2024 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 Conclusion

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 half-year 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.

Directors' responsibility for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. 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 ASCF Select Income Fund's financial position as at 31 December 2024 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

A F Newman
Partner – Audit & Assurance

Brisbane, 3 March 2025