



**AUSTRALIAN
SECURITIES**



ARSN 092 514 488

Income Fund Financial Report

Year ended 30 June 2023

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Director's Report

The Directors of Australian Securities Limited | the Responsible Entity | present their report together with the financial statements of the Australian Securities Income Fund | the Scheme | for the year ended 30 June 2023 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Responsible Entity in office during or since the end of the year are:

Non-executive Directors

Peter Bolitho (Chair)
Susan Allen
Peter Sexton (Audit Chair)

Executive Directors

Michael Clarebrough

Directors have been in the office since the start of the year to the date of this report unless otherwise stated.

Service providers

The service providers during or since the end of the financial year are:

- Responsible Entity & Custodian: Australian Securities Limited
- Half Year Review: BDO Audit Pty Ltd
- Year-end Auditor: BDO Audit Pty Ltd

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The principal activity of the Scheme is to invest funds in accordance with the investment policy of the Scheme as outlined in the current Product Disclosure Statement | the PDS | of the Scheme, and in accordance with the provisions of the Constitution of the Scheme. The Constitution authorises investment in mortgages.

There has been no significant change in the activities of the Scheme during the financial year.

The Scheme did not have any employees during the year.

Value of assets

The value of the Scheme's gross assets at 30 June 2023 was \$109,622,308 (2022: \$124,091,547). The value of the Scheme's assets is derived using the basis set out in Note 1 to the financial statements.

Interests in the Scheme

The Scheme commenced the year with 141 interests in the Scheme (2022: 166). During the year 9 applications were accepted (2022: 23) and 33 withdrawals discharged (2022: 48) closing at 117 interests in the Scheme at the reporting date (2022: 141).

Fees paid to and interests held by the Responsible Entity

The Responsible Entity of the Scheme is Australian Securities Limited (ACN: 005 428 231) | ASL |, which also acts as manager and custodian of the Scheme.



Fees paid to and interests held by the Responsible Entity (continued)

ASL also acts as Responsible Entity, Manager and Custodian to Australian Securities Property Fund | ASPF | and Australian Securities Term Fund | ASTF |. ASL holds an Australian Financial Services Licence to enable it to be the Responsible Entity and Custodian to the Scheme as well as ASPF and ASTF. ASL also holds an Australian Credit Licence to be an authorised Credit Provider.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Investment management fees of \$831,807 (2022: \$933,027), calculated up to 0.81% per annum (2022: 0.81%) of the amount invested in each mortgage security, were paid or remain payable at year end to the Responsible Entity.

Compliance fees of \$718,593 (2022: \$809,318), calculated at 0.59% per annum (2022: 0.59%) on the amount of the loan, were paid or remain payable at year end to the Responsible Entity.

As at 30 June 2023, loans from ASIF to ASPF totalled \$16,505,000 (2022: \$13,067,100) for the purchase of property by various sub-schemes.

As at 30 June 2023, ASIF had investments in ASTF totalling \$926,931 (2022: \$275,759) which were amounts

invested on behalf of borrowers. The investment is included as part of cash and cash equivalents in the Statement of Financial Position.

A number of the Directors have invested in the Scheme via the Responsible Entity or via related entities, on terms and conditions no more favourable than those offered to any arm's length investor.

As at 30 June 2023, ASTF had \$13,213,703 (2022: \$15,123,161) invested in the Scheme, and other related parties had \$3,409,051 (2022: \$3,479,704) invested in the Scheme.

The Scheme operates an "interest advance facility" whereby the Responsible Entity may agree to advance to the Scheme for on-payment to Tier 1 investors, an amount required to pay interest on any mortgages in which a borrower has failed to pay interest on an interest payment date. The Tier 1 interest is subsequently collected from the borrower and paid to the Responsible Entity, along with additional higher rate interest at the default rate set out in the loan agreement with the borrower.

During the financial year, the Responsible Entity advanced up to \$77,698 (2022: \$70,045) to the Scheme to cover unpaid interest from borrowers who went into default. These advances were used by the

scheme to continue to pay investors at the normal rate of interest applicable to each mortgage. Default interest totalling \$88,944 (2022: \$43,095) was earned by the Responsible Entity for this service in accordance with the terms of loan agreements with borrowers and the PDS. The amount of default interest payable by borrowers is significantly increased where the loan is in default for an extended period of time. At the end of the financial year \$39,008 (2022: \$25,912) remains payable by the Scheme to the Responsible Entity in relation to the amount advanced and interest outstanding.

Review of operations and financial results

The Scheme recorded a net result of \$nil during the year (2022: \$nil), after distributing 100% of profit before interest paid to investors (2022: 100%). Interest paid and payable to investors in the Scheme for the period was \$5,975,938 (2022: \$6,451,558), net of management fees.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme during the financial year.

Future developments

The Scheme will continue to operate in accordance with its investment policy as detailed in the Scheme’s PDS.

In the opinion of the Directors, there are no likely developments that will influence the operations or the expected results of the Scheme. The market has seen a reduction in interest rates and an easing in lending appetite from the banks which has seen increased competition.

Environmental regulation

The Scheme’s operations are not subject to any significant environmental regulations under Commonwealth, State or Territory Legislation.

Indemnification and insurance of officers and auditors

No indemnities have been given, or insurance premiums paid, for any person who is or has been an officer or auditor of the Scheme, during or since the end of the financial year.

The Directors of the Responsible Entity are covered against all liabilities to another person (other than the company, the Scheme or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

Subsequent events

No other matters or circumstances have arisen since the end of the year which significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Rounding of amounts to the nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Director’s report) Instrument 2016/191, the amounts in the Directors’ Report and in the financial report have been rounded to the nearest dollar.

Auditor’s independence declaration

An independence declaration has been received by the Directors and is The report is made in accordance with a resolution of the Directors.

On behalf of the Directors



Michael John Clarebrough

MELBOURNE
28 September 2023



Peter Bolitho



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DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF AUSTRALIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR AUSTRALIAN SECURITIES INCOME FUND

As lead auditor of Australian Securities Income Fund for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

James Dixon
Director

BDO Audit Pty Ltd

Melbourne

28 September 2023

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Financial Report

for the year ended 30 June 2023

Statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Investment revenue and other income			
Interest		6,807,745	7,384,585
Compliance fees		718,593	809,318
Reversal of impairment loss	6	(202,249)	(396,000)
Total investment revenue and other income		7,324,089	7,797,903
Operating Expenses			
Management fees		(831,807)	(933,027)
Compliance fees		(718,593)	(809,318)
Interest		(5,975,938)	(6,451,558)
Reversal of impairment loss	7	202,249	396,000
Total operating expenses		(7,324,089)	(7,797,903)
Profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

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

Statement of financial position for the year ended 30 June 2023

CATEGORY	Note	30 June 2023 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents	8	980,050	1,680,185
Investments	9	926,931	275,759
Mortgages repayable within 12 months	10	90,408,599	76,854,235
Receivables	12	616,214	738,451
Total current assets		92,931,794	79,548,630
Non-current assets			
Mortgages repayable after 12 months	10	16,690,514	44,542,917
Total non-current assets		16,690,514	44,542,917
Total assets		109,622,308	124,091,547
Current Liabilities			
Payables	13	(677,250)	(867,874)
Members' funds	14	(92,254,544)	(78,680,756)
Total current liabilities		(92,931,794)	(79,548,630)
Non-current liabilities			
Members' funds	14	(16,690,514)	(44,542,917)
Total non-current liabilities		(16,690,514)	(44,542,917)
Total liabilities		(109,622,308)	(124,091,547)
Net assets		-	-

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

Statement of changes in members' funds for the year ended 30 June 2023

	Notes	Total members' funds
Balance as at 1 July 2021		142,551,885
Applications		56,164,263
Withdrawals		(75,888,475)
add Reversal for allowance for credit loss		396,000
Change in net assets attributable to members		(19,328,212)
Balance as at 30 June 2022	14	123,223,673
Balance as at 1 July 2022		123,223,673
Applications		50,401,111
Withdrawals		(64,724,726)
add Reversal for allowance for credit loss		45,000
Change in net assets attributable to members		(14,278,615)
Balance as at 30 June 2023	14	108,945,058

Members' funds are classified as a financial liability.

Applications and withdrawals comprise an aggregation of the movements within each of the items which make up the balance of the members' funds as per Note 14, including the individual sub-schemes and cash accounts held on trust.

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

Statement of cash flows for the year ended 30 June 2023

CATEGORY	Notes	30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Interest received		6,660,714	7,313,172
Compliance fees received		721,005	820,622
Interest paid		(5,883,022)	(6,312,336)
Management fees paid		(845,924)	(943,659)
Compliance fees paid		(720,113)	(820,622)
Other proceeds paid		(1,047)	(223)
Net cash (used in) / provided by operating activities	15 (b)	(68,387)	56,954
Cash flows from investing activities			
(Payment for) / proceeds from Investments		(651,172)	918,333
Invested in mortgages		(45,624,521)	(52,005,745)
Discharges of mortgages		59,967,560	70,685,457
Net cash provided by investing activities		13,691,867	19,598,045
Cash flows from financing activities			
Received from members		50,401,111	56,164,263
Paid to members		(64,724,726)	(75,888,475)
Net cash used in financing activities		(14,323,615)	(19,724,212)
Net decrease in cash and cash equivalents		(700,135)	(69,213)
Cash and cash equivalents at the beginning of the year		1,680,185	1,749,398
Cash and cash equivalents at the end of the year	15 (a)	980,050	1,680,185

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

Notes to the Financial Statements for the year ended 30 June 2023

Note 1: Statement of significant accounting policies

The Australian Securities Income Fund | the Scheme | is a registered managed investment scheme domiciled in Australia. The Responsible Entity to the Scheme is Australian Securities Limited | ASL | and its registered office and principal place of business is Level 34, 140 William Street, Melbourne, Victoria, 3000. The principal activity of the Scheme is disclosed in the Directors' Report.

The following is a summary of significant accounting policies adopted by the Scheme in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board | the AASB | and the Corporations Act 2001.

This financial report has been prepared for the Scheme as an individual entity. The Scheme is a for-profit scheme for the purpose of preparing the financial statements. The financial report represents an aggregation of the individual sub-schemes' assets and liabilities that make up the Scheme.

The financial report is presented in Australian dollars.

The financial report was authorised for issue by the Directors of the Responsible Entity as at the date of the Directors' Report.

Compliance with International Financial Reporting Standards

The financial report of the Scheme complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) New and revised accounting standards effective at 1 July 2022

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning July 1, 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(c) Financial instruments

Financial assets and liabilities are recognised on the date the Scheme becomes party (for a specific sub-scheme) to the contractual agreement, usually the settlement date.

The carrying amounts of mortgages, members' funds, current receivables and current payables are considered to be a reasonable approximation of their fair value.

Financial assets

- (i) Mortgages and other receivables
- Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss (FVtPL), in which case transaction costs are immediately recognised as expenses in profit or loss.

Financial assets are classified as subsequently measured at amortised cost when both of the following conditions are met:

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

Financial liabilities

Financial liabilities include members' funds, trade payables, other creditors, loans from third parties and loans or other amounts due to Director related entities.

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Financial liabilities are classified as current liabilities unless the aggregated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of assets

The Scheme has chosen to apply the general approach under AASB 9 Financial Instruments to measuring impairment provisions for mortgages and other receivables. Under the AASB 9 general approach, the Scheme determines the impairment provision for receivables on the basis of default events possible within 12 months after reporting date and lifetime expected credit losses of the receivable. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the receivable.

(c) Financial instruments (continued)

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Scheme considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. The Scheme recognises an impairment loss (or, in the case of the reversal of a previous impairment loss, a gain) in profit or loss for all financial assets with a corresponding adjustment to a loss allowance account. The Scheme directly reduces the gross carrying amount (writes off) of a financial asset, even when the financial asset is still subject to enforcement action, when the debtor is in severe financial difficulty and there is no realistic prospect of recovery, which would be evidenced by:

- the debtor being placed into liquidation or voluntarily entering into bankruptcy arrangements; or
- the financial asset is more than 60 days past a default event and the Scheme has received no satisfactory response from the debtor regarding the past due feature of the financial asset; or
- significant drop in value.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and at banks, short-term deposits held with an original maturity of six months or less. Cash is held at call with reputable banks or financial institutions which the Responsible Entity uses in its day to day management of the Scheme's cash requirements. Cash and cash equivalents also includes cash held in trust on behalf of investors and borrowers.

(e) Revenue

Management and compliance fees

Management and compliance fees are recognised as revenue on a monthly basis for services provided to investors and borrowers. Satisfaction of the performance obligations are determined at the point at which management services have been performed by the Responsible Manager.

Interest

Interest revenue is measured in accordance with the effective interest method.

(f) Distributions and taxation

Under current income tax legislation, the Scheme is not liable to pay income tax as the net income of the Scheme is assessable in the hands of the members who are 'presently entitled' to the income of the Scheme. There is no income of the Scheme to which members are not presently entitled and additionally, the Scheme Constitution requires the distribution of the full net amount of the net income of the Scheme to members each period.

(g) Goods and services tax | GST |

The Scheme is not currently registered for GST, and as such revenues and expenses are recognised gross of the any amount of GST. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

(h) Comparative information

Where necessary comparative information has been reclassified and repositioned for consistency with current year disclosures.

(i) Rounding of amounts to nearest dollars

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar.

(j) Functional and presentation currency

The Scheme's financial statements are measured and presented in Australian dollars, being the currency of the primary economic environment in which the Scheme operates.

(k) Accounting standards issued but not yet effective as at 30 June 2023

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Scheme. The Scheme has decided not to early adopt any of these new and amended pronouncements.

The Scheme has assessed that none of these standards will have a material impact on the Scheme's financial statements in the period of initial application.



Note 2: Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Scheme's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 1(c).

Note 3: Segment information

The Scheme operates in the mortgage industry providing investors the opportunity to invest in one or more sub-schemes which invest in mortgages, predominantly in Victoria, Australia. Investors have recognised ownership benefits which are unique to this Scheme and are alternative investment opportunities compared to traditional financial institutions.

Note 4: Financial risk management

The Scheme's activities expose it to a variety of financial risks, including liquidity risk, credit risk, interest rate risk and market risk. The Scheme's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Scheme.

The Directors of the Responsible Entity have the overall responsibility for identifying and managing operational and financial risks and provide guidance and principles for the Scheme in relation to the overall risk management.

The Scheme holds the following financial instruments, all of which are carried at amortised cost:

	Notes	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Financial assets			
Cash and cash equivalents	8	980,050	1,680,185
Investments	9	926,931	275,759
Mortgages	10	107,099,113	121,397,152
Receivables	12	616,214	738,451
		109,622,308	124,091,547
Financial liabilities			
Payables	13	677,250	867,874
Members' funds	14	108,945,058	123,223,673
		109,622,308	124,091,547

The scheme is exposed to a variety of financial risks comprising:

- (a) Liquidity risk
- (b) Credit risk
- (c) Market price risk
- (d) Interest rate risk

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and arises when the Scheme is unable to meet its financial obligations as they fall due.

In regard to the Scheme's risk exposure to default, the ultimate risk of default is borne by the members in the individual sub-scheme.

Where mortgages go into default, the Scheme may use the services of the Responsible Entity, to stand in the place of the mortgagor for Tier 1 investments. The Responsible Entity pays the ongoing interest that the mortgagor would otherwise have paid until either the mortgagor brings the mortgage out of default or a decision is made to recover the mortgage by sale of the underlying property.

The Scheme's overall exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Note 4: Financial risk management cont.

Year ended 30 June 2023	< 6 Months \$	6-12 Months \$	1-5 years \$	Total contractual cash flows \$	Carrying amount \$
Members' funds	(63,476,312)	(28,778,232)	(16,690,514)	(108,945,058)	(108,945,058)
Payables	(677,250)	-	-	(677,250)	(677,250)
Net maturities	(64,153,562)	(28,778,232)	(16,690,514)	(109,622,308)	(109,622,308)

Year ended 30 June 2022	< 6 Months \$	6-12 Months \$	1-5 years \$	Total contractual cash flows \$	Carrying amount \$
Members' funds	(44,867,421)	(33,813,335)	(44,542,917)	(123,223,673)	(123,223,673)
Payables	(867,874)	-	-	(867,874)	(867,874)
Net maturities	(45,735,295)	(33,813,335)	(44,542,917)	(124,091,547)	(124,091,547)

(b) Credit risk

Credit risk refers to the risk that a borrower will default on contractual obligations resulting in financial loss to the Scheme. The Scheme has adopted the policy of lending no more than 66.66% of the assessed market value of the underlying property. Furthermore, the ultimate risk of default is borne by the investors in the sub-scheme holding the individual mortgage and not by the Scheme. The Scheme measures credit risk on a fair value basis.

The Scheme does not have any significant credit risk exposure to any single borrower or any group of borrowers having similar characteristics. As at the reporting date, the Scheme did have exposure to mortgage loans that were in default and normal procedures to recover mortgage loans, such as foreclosure on the underlying property that was security to the mortgage, are in process. A provision for impairment of mortgage has been recognised during the year for one particular mortgage, as described in Note 7.

Where formal applications for mortgage loans are made to the Scheme, a credit risk committee decides the merit of the loan based on the purpose and objectives of the applicant, a credit risk analysis of the applicant, an assessment by a credit reporting agency and financial information supplied by the applicant. The applicant is required to satisfy criteria which includes, but is not limited to, the purpose of the loan, objective of the loan, credit worthiness of the applicant, good character, capacity and willingness to pay of the applicant and the collateral for the loan (based on underlying asset valuation) is adequate for the loan.

All applicants are interviewed by a finance manager of the Responsible Entity to verify the information submitted with the loan application and to establish purpose and objectives of the loan accord with responsible lending requirements.

The credit risk committee, which comprises the Legal Counsel, Operations Manager, Senior Finance Manager and Senior Investment Manager (or their deputies), each approve and certify the loan as a suitable investment for the Scheme. An executive Director reviews and approves the application before loan documentation is prepared and before approaching members to consider such investment in a sub-scheme which shall hold the mortgage security.

Over the course of a loan certain trigger points such as missed or late payments may occur which highlight the potential for the loan to go into default. Upon these occurring action is taken by our Finance Team to understand why these trigger points have occurred and to implement a remediation plan to bring the loan back to performing status.

The carrying amount of financial assets, net of any allowances for credit losses, recorded in the financial statements represents the Scheme's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained in relation to those assets.

The Scheme's credit risk rating grades are outlined in the following table:

Credit risk rating grade	Criteria applied by the group	Basis of recognising allowance for credit losses
Low risk (performing)	LVR covenants met No trigger points referred to Note 1 (b) are crossed	Life-time expected credit loss (for receivables from contracts with customers and contract assets) <hr/> 12-month expected credit losses (for other financial assets subject to impairment testing)
High risk- in default (no performing)	Breach of LVR covenant Trigger points referred to in Note 1(b) are raised	Life-time expected credit losses (credit impaired)

Maximum exposure to credit risk	30 June 2023		30 June 2022	
	No. of Mortgages	\$	No. of Mortgages	\$
Performing mortgages	116	106,629,113	139	119,255,902
Specific mortgages that are in default and where the:				
• Collateral provided by the mortgaged property should be adequate to fully recover the loan.	1	770,000	2	2,186,250
• Collateral provided by the mortgaged property is assessed to be inadequate to fully recover the loan.	0	-	0	-
Shortfall anticipated on settlement in accordance with expected credit loss		-		-
Total mortgages	117	107,399,113	141	121,442,152
Average mortgage value		915,377		861,292
Valuation of properties where mortgages are in default		1,350,000		3,850,000
Average default mortgages value		770,000		1,650,000
Mortgages in default over \$1 million		-		1,650,000
Average value of mortgages over \$1 million in default		-		3,000,000
Valuation of properties over \$1 million in default		1,350,000		-
Principal loss recognised on mortgages discharged during the period		-		-
Percentage of mortgage properties in default	0.9%	0.7%	1.4%	1.8%

This table includes non-performing mortgages that have not been remedied within 60 days.

The cash and cash equivalents are monies held with reputable Australian financial institutions which pose a very low credit risk.

Note 4: financial risk management cont.

(c) Market price risk

The Scheme's exposure to market price risk arises from its operations within financial markets to borrow and lend money at interest. Both the borrowings and loans (mortgages) are made at contracted fixed interest rates. Interest rates contracted are entered into recognising the current status of financial markets. The Scheme is vigilant in ensuring that fair and reasonable rates are negotiated allowing for the prevailing status of financial markets.

The Scheme is also exposed to market price risk in relation to property prices. Mortgage loans are contracted for amounts that do not exceed 66.66% of property valuations obtained from qualified, reputable property valuers. Furthermore, as stated above under credit risk, the ultimate risk of default is borne by the investor in the individual mortgage and not by the Scheme.

Impaired valuations

A provision for impairment of a mortgage in two sub-schemes has been provided for as at year end, as detailed in Note 6.

This provision has been offset by positively adjusting last year's provision as new information became available. There are no other non-performing loans with collateral mortgage security assessed as inadequate to fully recover the loan amount, default interest and charges.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of fluctuation in market interest rates. The Scheme has minimal exposure to interest rate risk. Mortgages are invested at fixed interest rates that approximate and recognise current market conditions.

The Scheme's exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and liabilities at the reporting date are as follows:

Financial Instruments	Interest bearing \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate %
30 June 2023				
(i) Financial assets				
Cash and cash equivalents		980,050	980,050	
Investments	926,931	-	926,931	3.39
Loans and receivables	107,099,113	616,214	107,715,327	6.15
Total financial assets	108,026,044	1,596,264	109,622,308	
(ii) Financial liabilities				
Other financial liabilities	(108,026,044)	(1,596,264)	(109,622,308)	6.15
Total financial liabilities	(108,026,044)	(1,596,264)	(109,622,308)	
Net financial assets	-	-	-	

(d) Interest rate risk (continued)

Financial Instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	%
30 June 2022				
(i) Financial assets				
Cash and cash equivalents	-	1,680,185	1,680,185	
Investments	275,759	-	275,759	1.29
Loans and receivables	121,397,152	738,451	122,135,603	5.32
Total financial assets	121,672,911	2,418,636	124,091,547	
(ii) Financial liabilities				
Other financial liabilities	(121,672,911)	(2,418,636)	(124,091,547)	5.32
Total financial liabilities	(121,672,911)	(2,418,636)	(124,091,547)	
Net financial assets	-	-	-	

Sensitivity

As the interest rates on the financial assets and liabilities held by the Scheme are fixed, there would not be an impact on the profit for the year or equity were interest rates to increase/decrease by 100 basis points.

Note 6: Reversal of impairment loss

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Allowance for recovery of:		
- Provision for Principal loss from investors	(45,000)	(396,000)
Amounts unpaid:		
- Principal loss from investors	(157,249)	-
- Interest unpaid to the investors and Responsible Entity	-	(396,000)
	(202,249)	(396,000)

Note 7: Reversal of impairment loss

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Provision for:		
- Mortgage impairment	45,000	396,000
Amounts not recoverable:		
- Mortgage impairment incurred	157,249	
- Interest not recovered from borrowers	-	-
	202,249	396,000

A provision for credit loss totalling \$NIL has been provided for as at 30 June 2023 (2022: \$45,000). The provision is derived using the Responsible Entity's Credit Risk assessment completed across the portfolio in accordance with AASB9 – Expected Credit Loss. The provision of \$45,000 that existed at 30 June 2022 has been reversed as the loan discharged during the financial year ending 30 June 2023.

Note 8: Cash and cash equivalents

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Cash at bank	159,036	129,423
Cash held on trust	821,014	1,550,762
	980,050	1,680,185

Note 9: Investments

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Investment in Australian Securities Term Fund – at cost	926,931	275,759
- Mortgage impairment	926,931	275,759

Note 10: Mortgages

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Mortgages repayable within 12 months	90,408,599	76,899,235
Mortgages repayable after 12 months	16,690,514	44,542,917
	107,099,113	121,442,152
Allowance for credit loss of mortgages	-	(45,000)
	107,099,113	121,397,152

Note 11: Interest in Mortgages

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
No. of mortgages at start of period	141	166
No. of mortgages invested during the period	9	23
No. of mortgages discharged during the period	(33)	(48)
No. of mortgages at end of period	117	141

Note 12: Receivables

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Accrued interest receivable	432,767	535,661
Default interest receivable	155,160	162,339
Accrued compliance fee receivable	27,016	29,428
Other receivables	1,271	11,023
	616,214	738,451

Note 13: Payables

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Default interest payable to lenders	137,520	144,640
Default interest payable to related party	17,640	17,698
Assurance funding payable to related party	21,367	8,214
Other payables	54,321	122,601
Accrued interest payable	388,105	500,785
Accrued compliance fee payable	27,907	29,428
Accrued management fee payable	30,390	44,508
	677,250	867,874

Note 14: Members' Funds

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Current		
Cash at bank	98,000	-
Cash held on trust relating to members	821,014	1,550,762
Investment in Australian Securities Term Fund	926,931	275,759
Invested in mortgages	90,408,599	76,899,235
	92,254,544	78,725,756
Allowance for credit loss	-	(45,000)
	92,254,544	78,680,756
Non-current		
Invested in mortgages	16,690,514	44,542,917
Total members' funds	108,945,058	123,223,673

Applications and withdrawals as shown in the Statement of Changes of Members' Funds comprise an aggregation of the movements within each of the items as shown above which make up the total of the members' funds of the Scheme, including the individual sub-schemes and cash accounts held on trust.

Note 15: Notes to the statement of cash flows

a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Cash at bank	159,036	129,423
Cash held on trust	821,014	1,550,762
Total cash and cash equivalents	980,050	1,680,185

(b) Reconciliation of net cash used in operating activities to net operating profit

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Net profit		
Add back non-cash movements:		
Provision for mortgage impairment	202,249	396,000
Allowance for recovery of principal loss from investors	(202,249)	(396,000)
Changes in assets and liabilities during the financial year:		
Decrease in receivables	(190,624)	5,905
Net cash (used in) / provided by operating activities	(68,387)	56,954

Note 16: Related party disclosures

The Responsible Entity of the Scheme is Australian Securities Limited (ACN: 005 428 231) | ASL |, which also acts as manager and custodian of the Scheme.

ASL also acts as responsible entity, manager and custodian to Australian Securities Property Fund | ASPF | and Australian Securities Term Fund | ASTF |. ASL holds an Australian Financial Services Licence to enable it to be the Responsible Entity and custodian to the Scheme as well as ASPF and ASTF. ASL also holds an Australian Credit Licence to be an authorised Credit Provider.

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Investment management fees of \$831,806 (2022: \$933,027), calculated up to 0.81% per annum (2022: 0.81%) of the amount invested in each mortgage security, were paid or remain payable at year end to the Responsible Entity. Management fees payable to the Responsible Entity at 30 June 2023 totalled \$30,390 (2022: \$44,508).

Compliance fees of \$718,593 (2022: \$809,318), calculated at 0.59% per annum (2022: 0.59%) on the amount of the loan, were paid or remain payable at year end to the Responsible Entity. Compliance fees payable to the Responsible Entity at 30 June 2023 totalled \$27,907 (2022: \$29,428).

As at 30 June 2023, ASIF had investments in ASTF totalling \$926,931 (2022: \$275,759) which were amounts invested on behalf of borrowers. The investment is included as part of cash and cash equivalents in the Statement of Financial Position.

As at 30 June 2023, loans from ASIF to ASPF totalled \$16,505,100 (2022: \$13,067,100) for the purchase of property by various sub-schemes.

As at 30 June 2023, ASTF had \$13,213,703 (2022 \$15,123,161) invested in the Scheme. Interest income of \$860,359 (2022: \$824,409) was paid or remained payable at year end to ASTF. Interest payable to ASTF at 30 June 2023 totalled \$31,756 (2022: \$33,806).

A number of the Directors have invested in the Scheme via the Responsible Entity or via related entities, on terms and conditions no more favourable than those offered to any arm's length investor. Other related parties had \$3,409,051 (2022: \$3,479,704) invested in the Scheme.

The Scheme operates an "interest advance facility" whereby the Responsible Entity may agree to advance to the Scheme for on-payment to Tier 1 investors, an amount required to pay interest on any mortgages in which a borrower fails to pay

interest on an interest payment date. The facility is only used if a mortgage default exists and the interest subsequently collected from the borrower and paid to the Responsible Entity is at the default rate set out in the loan agreement with the borrower.

During the financial year, the Responsible Entity advanced up to \$77,698 (2022: \$70,045) to the Scheme to cover unpaid interest from borrowers. Interest totalling \$88,944 (2022: \$43,095) was earned by the Responsible Entity for this service in accordance with the terms of loan agreements with borrowers and the PDS. At the end of the financial year \$39,008 (2022: \$25,912) remains payable by the Scheme to the Responsible Entity.

Compensation of key management personnel of the Responsible Entity

Key management personnel of the Responsible Entity for the financial year, unless otherwise stated, were:

Non-executive Directors	Executive Directors	Management Team
Peter Bolitho (Chair)	Michael Clarebrough	Natalie Bode (CEO)
Susan Allen		Matthew Claffey (Head of Lending - appointed 14 November 2022)
Peter Sexton (Audit Chair)		John DeGaris (Snr Finance Manager)
		Nicole Wain (Financial Controller)

Remuneration of Directors is paid directly by the Responsible Entity. The Directors are not provided with any remuneration by the Scheme itself. Directors are not entitled to any equity interests in the Scheme, or any rights to or options for equity interests in the Scheme, as a result of the remuneration provided by the Responsible Entity.

The Directors of the Responsible Entity do not consider there is any direct correlation between the level of remuneration provided to Directors of the Responsible Entity and the management fees paid by the Scheme to the Responsible Entity in accordance with the Scheme's Constitution and PDS.

Note 17: Auditor's remuneration

	Year ended 30 June 2023	Year ended 30 June 2022
	\$	\$
Audit and other assurance services		
Audit or review of financial report by BDO	31,500	33,500
Audit of compliance plan by BDO	3,400	3,250
Total remuneration	34,900	36,750

Costs associated with auditing the Scheme's financial statements were paid by the Responsible Entity. The above audit and related services are for the entire Scheme.

Note 18: Commitments and contingencies

There are no material commitments or contingent liabilities as at 30 June 2023.

Note 19: Subsequent events

There has been no matter or circumstance, which has arisen since 30 June 2023 which has significantly affected, or which may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Note 20: Responsible entity details

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

Level 34, 140 William Street
MELBOURNE, VIC, 3000

In the opinion of the Directors of Australian Securities Limited, the Responsible Entity of Australian Securities Income Fund:

1. The financial statements and notes as set out on pages 14 to 28 are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001 And other mandatory professional reporting requirements;
 - (b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and
 - (c) Give a true and fair view of the financial position of the Scheme as at 30 June 2023 of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe the Scheme will be able to pay its debts as and when they become due and payable.

This Declaration has been made in accordance with a Resolution of the Directors of the Responsible Entity, Australian Securities Limited.



Michael John Clarebrough
Director



Peter Bolitho
Chair Person

Melbourne
28 September 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Securities Income Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Securities Income Fund (the Scheme), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Scheme, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors of Australian Securities Limited (the 'responsible entity') are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 of the responsible entity for the Financial Report

The directors of the responsible entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 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 has 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO


James Dixon
Director

Melbourne, 28 September 2023



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**Responsible Entity and
Fund Custodian**

Australian Securities Limited
ABN 69 005 428 231
Financial Services &
Credit Licence
Licence No. 260499

Managed Investment Fund

Australian Securities Income Fund
ARSN 092 514 488
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