

Alceon Debt Income Fund

ARSN 650 960 820

Interim Financial Report For the half-year ended 31 December 2022

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended June 30, 2022 and any public announcements made in respect of Alceon Debt Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements cover the Alceon Debt Income Fund as an individual entity.

The Responsible Entity of the Alceon Debt Income Fund is Melbourne Securities Corporation Limited (ABN 57 160 326 545). The Responsible Entity is registered office is Level 2, 395 Collins Street, Melbourne, VIC 3000.

Directors' Report

The directors of Melbourne Securities Corporation Limited, the Responsible Entity of Alceon Debt Income Fund, present their report together with the interim financial statements of Alceon Debt Income Fund ('the Fund') for the the half-year ended 31 December 2022.

Principal activities

The Fund was constituted on 9 August 2018. It commenced operations as an unregistered scheme under the name Freehold Debt Income Fund.

In June 2021, the Fund name was changed to the Alceon Debt Income Fund and the fund was registered with ASIC for retail distribution.

The Fund seeks to generate attractive risk-adjusted returns by lending primarily to the special purpose vehicles of Australian mid-market real estate companies to finance real estate assets in Australian gateway cities (primarily Sydney and Melbourne).

The Fund may also finance office, industrial and retail real estate assets. It is intended that the Fund will lend to fund construction of such real estate assets, as well as to fund developed real estate assets.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

Directors

The following persons held office as directors of Responsible Entity Partners Limited during the year to 3 August 2022:

	Date Appointed
Michael Tarlet AO (Chairperson)	1 October 2017
Ronald Beard	23 October 2013
Fions McNabb	28 September 2016
Darran Goodger	18 February 2021

The following persons held office as directors of Melbourne Securities Corporation Limited from the 4 August 2022 to the date of this report:

	Date Appointed
Matthew Fletcher	4 August 2022
Shelley Brown	4 August 2022
Michael Fleming	4 August 2022
Steven O'Connell	12 August 2022
Ruth McClelland	12 August 2022

The directors do not hold units in the Fund.

Service Providers

Service	Provider
Investment manager	Alceon Real Asset Management Pty Ltd.
Unit registry service provider	Apex Fund Services Pty Ltd (an Apex Group Company)
Custodian	Apex Fund Services Pty Ltd (an Apex Group Company)

Review and results of operations

During the half-year, the Fund continued to invest its funds in accordance with the Product Disclosure Statements (PDS) and the provisions of the Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December	31 December
	2022	2021
Operating profit/(loss) for the half-year (\$'000)	2,472	1,646
Distributions paid and payable (\$'000)	2,165	1,558
Distributions (cents per unit)	3.4697	3.6594

As this is the first interim financial report prepared for the Fund, comparative information for the six month period ended 31 December 2021 has not been audited or reviewed.

Significant changes in state of affairs

Other than matters raised elsewhere in the directors' report, in the opinion of the directors, there were no significant changes in the state of affairs of the Fund.

On the 4 August 2022, Melbourne Securities Corporation Limited was appointed as Responsible Entity.

On the 5 August 2022, the investment manager changed from AFIM Limited (formerly known as Freehold Investment Management Limited) to Alceon Real Asset Management Pty Ltd.

Director's report (continued)

Matters subsequent to the end of the half-year

There are no matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial periods.

Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Lead Auditor's independence declaration under section 307C of the Corporations Act 2001.

A copy of the Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Shelley Brown
Director
Melbourne Securities Corporation Limited

Melbourne
9 March 2023



Accountants & Advisors

 Take the lead

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF RESPONSIBLE ENTITY OF ALCEON DEBT INCOME FUND

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

SW Audit (formerly ShineWing Australia)
Chartered Accountants

Rami Eltchelebi
Partner

Melbourne, 9 March 2023

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



Condensed statement of comprehensive income

	Notes	Half-year ended	
		31 December	31 December
		2022	2021
		\$'000	\$'000
			(Unreviewed)
Investment income			
Interest income		3,136	2,042
Other income		-	118
Total net investment income		<u>3,136</u>	<u>2,160</u>
Expenses			
Management fees		509	340
Performance fees		38	103
Administration fees		24	19
Responsible entity fees		29	10
Other expenses		64	42
Total operating expenses		<u>664</u>	<u>514</u>
Operating profit/(loss) for the half-year		<u>2,472</u>	<u>1,646</u>
Finance costs attributable to unit holders			
Distributions to unit holders	5	(2,165)	(1,558)
(Increase)/decrease in net assets attributable to unit holders	4	(307)	(88)
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half-year		<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed statement of financial position

	Notes	As at	
		31 December 2022 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents		379	2,206
Receivables	6	43	19
Due from brokers - receivable for securities sold		21	306
Financial assets at amortised cost	3	<u>70,255</u>	<u>57,873</u>
Total assets		<u>70,698</u>	<u>60,404</u>
Liabilities			
Distributions payable	5	418	26
Payables	7	<u>253</u>	<u>378</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>671</u>	<u>404</u>
Net assets attributable to unit holders - liability	4	<u>70,027</u>	<u>60,000</u>

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

Condensed statement of changes in equity

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000 (Unreviewed)
Total equity at the beginning of the half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss)	-	-
Transactions with unit holders in their capacity as owners	-	-
Total equity at the end of the half-year*	-	-

*Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

Condensed statement of cash flows

	Half-year ended	
	31 December 2022	31 December 2021
Notes	\$'000	\$'000
		(Unreviewed)
Cash flows from operating activities		
Proceeds from maturity/sales of financial instruments at amortised cost	38,263	20,147
Payments for purchase of financial instruments at amortised cost	(49,506)	(37,715)
Finance income received	2,282	1,589
Other income received	-	118
Management fees paid	(493)	(259)
Administration fees paid	(24)	(19)
Performance fees paid	(220)	(243)
Responsible entity fees paid	(29)	(10)
Other expenses paid	(47)	(11)
Net cash inflow/(outflow) from operating activities	(9,774)	(16,403)
Cash flows from financing activities		
Proceeds from applications by unit holders	12,756	17,512
Payments for redemptions by unit holders	(3,036)	(100)
Distributions paid	(1,773)	(1,619)
Net cash inflow/(outflow) from financing activities	7,947	15,793
Net increase/(decrease) in cash and cash equivalents	(1,827)	(610)
Cash and cash equivalents at the beginning of the half-year	2,206	1,594
Cash and cash equivalents at the end of the half-year	379	984
Non-cash financing activities	77	32

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

1 General information

These financial statements cover Alceon Debt Income Fund (the "Fund") as an individual entity. The Fund was constituted on 9 August 2018 and commenced operations on 1 October 2019.

The Fund was registered with Australian Securities and Investments Commission on 22 June 2021.

Melbourne Securities Corporation Limited (the "Responsible Entity") was appointed as responsible entity of the fund on 4 August 2022. The Responsible Entity's registered office is L2 395 Collin St, Melbourne, VIC 3000. The financial statements are presented in Australian currency.

The Fund seeks to generate attractive risk-adjusted returns by lending primarily to the special purpose vehicles of Australian mid-market real estate companies to finance real estate assets in Australian gateway cities (primarily Sydney and Melbourne).

The Fund may also finance office, industrial and retail real estate assets. It is intended that the Fund will lend to fund construction of such real estate assets, as well as to fund developed real estate assets.

The interim financial statements were authorised for issue by the directors of the Responsible Entity on 8 March 2023. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements are prepared on an accruals basis and are based on historical costs, except where otherwise stated.

As this is the first interim financial report prepared for the Fund, comparative information for the six month period ended 31 December 2021 has not been audited or reviewed.

(b) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2022.

i. New and amended standards adopted by the Fund

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

ii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been early adopted in preparing these interim financial statements.

None of these are expected to have a material effect on the interim financial statements of the Fund.

3 Financial assets at amortised cost

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Financial assets		
Loans	70,255	57,873
Total financial assets at amortised cost	70,255	57,873

4 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	Units		Units	
			(Unreviewed)	(Unreviewed)
	'000	'000	'000	'000
Opening balance	58,784	60,000	34,102	34,359
Applications	12,384	12,679	17,333	17,512
Redemptions	(2,948)	(3,036)	(98)	(100)
Reinvestment of distributions	75	77	31	32
Increase/(decrease) in net assets attributable to unit holders	-	307	-	88
Closing balance	68,295	70,027	51,368	51,859

As stipulated in the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unit holders' option. 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 reporting period cannot be reliably determined.

5 Distribution to unit holders

The distributions for the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	\$'000	CPU	(Unreviewed) \$'000	(Unreviewed) CPU
Distributions				
July	300	0.5000	225	0.6500
August	305	0.5141	229	0.6500
September	354	0.6178	248	0.6500
October	390	0.6178	291	0.6000
November	398	0.6100	251	0.5000
December (payable)	418	0.6100	313	0.6094
Total distributions	2,165	3.4697	1,558	3.6594

6 Receivables

	As at	
	31 December 2022	30 June 2022
	\$'000	\$'000
Other receivable	43	19
Total receivables	43	19

7 Payables

	As at	
	31 December 2022	30 June 2022
	\$'000	\$'000
Management fees payable	92	76
Performance fees payable	38	220
Other payables	123	82
Total payables	253	378

8 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial half-year which significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial periods.

9 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2022.

Director's declaration

In the opinion of the Directors of Melbourne Securities Corporation Limited, the Responsible Entity of Alceon Debt Income Fund, declares that:

- (a) the interim financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2022 and its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



Shelley Brown
Director
Melbourne Securities Corporation Limited

Melbourne
9 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALCEON DEBT INCOME FUND

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Alceon Debt Income Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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 the Fund does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 31 December 2022 and of their 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 Financial Report* section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

Responsibility of the Directors of the Responsible Entity for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the 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 of the Responsible Entity 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 Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 financial positions of the Fund as at 31 December 2022 and their 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 9 March 2023