

**Alceon Debt Income Fund  
(formerly known as Freehold Debt Income Fund)**

ARSN 650 960 820

**Annual Report  
For the year ended 30 June 2021**

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

The Responsible Entity of the Alceon Debt Income Fund is Responsible Entity Partners Limited (ABN 11 119 757 596, AFSL 304542). The Responsible Entity registered office is Level 9 Podium, 530 Collins Street, Melbourne, VIC 3000.

## Directors' report

The directors of Responsible Entity Partners Limited, the Responsible Entity of Alceon Debt Income Fund, present this report with the financial statements of Alceon Debt Income Fund ('the Fund') for the year ended 30 June 2021.

### 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 became the Alceon Debt Income Fund and 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 year.

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

### Directors - Freehold Investment Management Limited (the Trustee)

The following persons held office as directors of Freehold Investment Management Limited while as trustee of the Fund during the period from 1 July 2020 to 11 June 2021:

Grant Atchison  
Michael Doery  
Omar Khan  
Trevor Loewensohn

### Directors - Responsible Entity Partners Limited (the Responsible Entity)

The following persons held office as directors of Responsible Entity Partners Limited, as responsible entity of the Fund from 11 June 2021.

	<b>Date Appointed</b>	<b>Date Resigned</b>
Mr Michael Terlet AO (Chairperson)	1 October 2017	
Mr Ronald Beard	23 October 2013	
Ms Fiona McNabb	28 September 2016	
Mr Darran Goodger	18 February 2021	

The directors do not hold units in the Fund.

### Service Providers

<b>Service</b>	<b>Provider</b>
Investment manager	Freehold Investment Management Limited
Sub-Investment manager	Alceon Real Asset Management Pty Limited
Unit registry service provider	Mainstream Fund Services Pty Ltd
Custodian	Mainstream Fund Services Pty Ltd

### Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Information Memorandum and the provisions of the Constitution.

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

**Director's report (continued)**

	Year ended 30 June 2021	For the period from 1 October 2019 to 30 June 2020
Operating profit/(loss) for the year (\$'000)	2,139	1,007
Distributions paid and payable (\$'000)	2,226	923
Distributions (cents per unit)	5.8207	0.9940

**Significant changes in state of affairs**

The Fund converted to a registered managed investment scheme during the year. A registered scheme provides greater consumer protection to investors. This allows the Fund to be sold to retail consumers through a Product Disclosure Statement (PDS). A licenced responsible entity must operate registered schemes, and ASIC regulates both.

**Matters subsequent to the end of the financial year**

The Fund issued a Product Disclosure Statement on 1 July 2021.

Except for the above, no other 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 years.

**Likely developments and expected results of operations**

The results of the Fund's operations will be affected by several 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.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

**Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund regarding insurance cover provided to the officers of the trustee and the responsible entity. So long as the officers act in accordance with the Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

**Indemnification of auditors**

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Fees paid to and interests held in the Fund by the Responsible Entity and its associates**

Fees paid to the Trustee and the Responsible Entity and their associates out of Fund property during the year are disclosed in Note 13 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates at the end of the financial year is disclosed in Note 13 to the financial statements.

## Director's report (continued)

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

with that instrument, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

### 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.



Fiona Margaret McNabb  
Director  
Responsible Entity Partners Limited

Melbourne  
26 October 2021

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

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



**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 26 October 2021

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**Statement of comprehensive income**

		Year ended 30 June 2021	For the period from 1 October 2019 to 30 June 2020
	Notes	\$'000	\$'000
<b>Investment income</b>			
Trust distribution income		2,749	1,338
Other income		178	21
<b>Total net investment income</b>		<b>2,927</b>	<b>1,359</b>
<b>Expenses</b>			
Management fees	13	482	214
Performance fees	13	243	113
Administration fees	13	48	12
Responsible entity fees	13	2	-
Other expenses		13	13
<b>Total operating expenses</b>		<b>788</b>	<b>352</b>
<b>Operating profit/(loss) for the year</b>		<b>2,139</b>	<b>1,007</b>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	7	(2,226)	(923)
(Increase)/decrease in net assets attributable to unit holders	6	87	(84)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>

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

## Statement of financial position

	Notes	As at	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	1,594	585
Receivables	10	429	450
Financial assets at fair value through profit or loss	5	32,817	19,832
<b>Total assets</b>		<b>35,038</b>	<b>20,867</b>
<b>Liabilities</b>			
Distributions payable	7	382	193
Payables	11	297	144
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>679</b>	<b>337</b>
<b>Net assets attributable to unit holders - liability</b>	6	<b>34,359</b>	<b>20,530</b>

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

**Statement of changes in equity**

		For the period from 1 October 2019 to 30 June 2020
<b>Year ended 30 June 2021</b>		<b>\$'000</b>
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<u>-</u>	<u>-</u>
Transactions with unit holders in their capacity as owners	-	-
<b>Total equity at the end of the financial year*</b>	<u>-</u>	<u>-</u>

\* 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 financial year.

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



**Statement of cash flows**

		Year ended 30 June 2021 \$'000	For the period from 1 October 2019 to 30 June 2020 \$'000
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Proceeds from maturity/sales of financial instruments at fair value through profit or loss		2,916	481
Payments for purchase of financial instruments at fair value through profit or loss		(15,901)	(20,313)
Trust distribution received		2,792	909
Management fees paid		(461)	(183)
Administration fees paid		(48)	(12)
Performance fees paid		(113)	-
Other expenses paid		(55)	(13)
<b>Net cash inflow/(outflow) from operating activities</b>	9(a)	<b>(10,870)</b>	<b>(19,131)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders	6	16,749	20,446
Payments for redemptions by unit holders	6	(2,833)	-
Distributions paid		(2,037)	(730)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>11,879</b>	<b>19,716</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,009</b>	<b>585</b>
Cash and cash equivalents at the beginning of the year		<b>585</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>1,594</b>	<b>585</b>
Non-cash financing activities	9(b)	<b>23,158</b>	<b>-</b>

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

## Notes to the financial statements

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## 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.

Responsible Entity Partners Limited (the "Responsible Entity") was appointed as responsible entity of the Fund on 11 June 2021. The Responsible Entity's registered office is Level 9 Podium, 530 Collins Street, 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 financial statements were authorised for issue by the directors of the Responsible Entity on 26 October 2021. The directors of the Responsible Entity have the power to amend and reissue the 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 years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

#### *i. Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### *ii. 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 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### *iii. 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 July 2021 and have not been early adopted in preparing these financial statements.

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

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise, on specified dates, to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

Financial liabilities are classified at amortised cost (due to brokers, distributions payable, management fees payable, applications received in advance, audit and tax fees payable, administration fees payables and custodian fees payable).

#### (ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

- *Financial instruments at fair value through profit or loss*

At initial recognition, the Fund measures financial assets at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets by the Fund is the current asking price.

For financial assets at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iv) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in statement of comprehensive income.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### (c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units are classified as financial liabilities.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

### (e) Investment income

Income is measured at the fair value of the consideration received or receivable.

Distribution income is recognised on present entitlements basis.

### (f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

### (g) Income tax

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

## 2 Summary of significant accounting policies (continued)

### (h) Distributions

The Fund distributes its distributable income, in accordance with the Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

### (k) Receivables

Receivables may include due amounts for trust distributions. Trust distributions are accrued when the right to receive payment is established.

### (l) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### (m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

### (n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55% hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (o) Use of estimates and judgements

The financial assets at fair value through profit or loss currently held by the Fund are units in the unlisted unit trusts which have been measured at their net asset value (NAV) and loan notes held at face value.

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are not readily available. Financial instruments, for example unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 2 Summary of significant accounting policies (continued)

### (o) Use of estimates and judgements (continued)

For certain other financial instruments, including amounts receivables and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

### (q) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## 3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's risk management policies are approved by the Responsible Entity and seek to minimise the potential adverse effects of the risks on the Fund's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

The Fund outsources the investment management to a specialist investment manager who provides services to the Fund, co-ordinates access to domestic financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement. The Fund's investment mandate is to invest in special purpose vehicles of Australian mid-market real estate companies. The Fund does not trade on international stock exchanges nor does it invest in derivative instruments such as futures and options.

Compliance with policies and exposure limits are reviewed by the Responsible Entity on a continual basis.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

### (a) Market risk

The Fund outsources the investment management to a specialist investment manager who provides services to the Fund, co-ordinates access to domestic financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement. The Fund's investment mandate is to invest in a diversified portfolio of stocks listed on the Australian Securities Exchange ("ASX"). The Fund does not trade on international stock exchanges nor does it invest in derivative instruments such as futures and options.

#### (i) Foreign exchange risk

The Fund does not undertake transactions denominated in foreign currencies; consequently, no exposure to exchange rate fluctuations arise.

#### (ii) Price risk

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in equity instruments which exposes the Fund to price risk. The Investment Manager manages the Fund's market risk on a daily basis in accordance with the Fund's investment objectives and policies, as detailed in the product disclosure statement.

As the Fund's financial instruments are carried at fair value with changes in fair value recognised in the statement of comprehensive income, all changes in market conditions will directly affect investment income.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Price risk (continued)

The following table illustrates the effect on profit or loss and net assets attributable to unitholders from possible changes in other market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date:

	As at 30 June 2021		As at 30 June 2020	
	% Change in variable +/-	Impact on operating profit/net assets attributable to unitholders \$	% Change in variable +/-	Impact on operating profit/net assets attributable to unitholders \$
Equity price risk	10	3,282	10	1,983

#### (b) Credit risk

Credit risk refers to the risk that the counterparty will default on its obligations resulting in financial loss to the Fund.

The Fund's exposure to credit risk is limited to receivables for investments sold, dividends, distributions and interest receivable. The credit risk associated with unsettled sales is considered minimal since these trades are settled on a T+2 basis and for which the counterparties are large financial institutions. The credit risk associated with dividend, distribution and interest receivable is considered to be minimal since none of these amounts are impaired nor past due but not impaired.

#### (c) Liquidity risk management

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. Unitholders are able to withdraw their units at any time and the Fund is therefore exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Fund's listed securities and listed managed investment schemes are considered to be readily realisable. As a result, the risk to the Fund of not being able to liquidate these investments at their fair value in order to meet its liquidity requirements is considered minimal.

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund has a high level of net inward cash flows (through new applications by unitholders) which provides capacity to manage liquidity risk. The Fund also manages liquidity risk through the continuous monitoring of forecast and actual cash flows.

#### Liquidity risk

The following table details the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the earliest date on which the Fund can be required to pay.

	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	No stated maturity \$'000	Total \$'000
<b>As at 30 June 2021</b>						
Distributions payable	382	-	-	-	-	382
Payables	297	-	-	-	-	297
Due to brokers - payable for securities purchased	-	-	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	34,359	34,359
<b>Total</b>	<b>679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,359</b>	<b>35,038</b>



### 3 Financial risk management (continued)

#### (c) Liquidity risk management (continued)

##### Liquidity risk (continued)

	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	No stated maturity \$'000	Total \$'000
As at 30 June 2020						
Distributions payable	193	-	-	-	-	193
Payables	144	-	-	-	-	144
Net assets attributable to unitholders	-	-	-	-	20,530	20,530
<b>Total</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,530</b>	<b>20,867</b>

### 4 Fair value measurement

Financial assets at fair value through profit or loss are measured at fair value on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### (a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (b) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### 4 Fair value measurement (continued)

##### (b) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

##### (c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2021.

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	-	-	32,817	32,817
<b>Total</b>	-	-	32,817	32,817
As at 30 June 2020				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	-	-	19,832	19,832
<b>Total</b>	-	-	19,832	19,832

##### (d) Fair value measurements using significant unobservable inputs (level 3)

	Year ended 30 June 2021 \$'000	For the period from 1 October 2019 to 30 June 2020 \$'000
<b>Opening balance</b>	19,832	-
Purchases	15,901	20,313
Sales	(2,916)	(481)
Gains/(losses) recognised in the statement of comprehensive income	-	-
<b>Closing balance*</b>	32,817	19,832

\* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

#### 5 Financial assets at fair value through profit or loss

	As at 30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets</b>		
Unlisted unit trusts	32,817	5,984
Loan receivables	-	13,848
<b>Total financial assets at fair value through profit or loss</b>	32,817	19,832

#### 6 Net assets attributable to unit holders

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

	Year ended 30 June 2021	Year ended 30 June 2021 \$'000	For the period from 1 October 2019 to 30 June 2020	For the period from 1 October 2019 to 30 June 2020 Units	For the period from 1 October 2019 to 30 June 2020 \$'000
Opening balance	20,322	20,530	-	-	-
Applications	16,544	16,749	20,322	20,446	-
Redemptions	(2,787)	(2,833)	-	-	-
Reinvestment of distributions	23	23	-	-	-
Increase/(decrease) in net assets attributable to unit holders	-	(87)	-	-	84
<b>Closing balance</b>	34,102	34,359	20,322	20,530	-

## 6 Net assets attributable to unit holders (continued)

As stipulated within the Trust Deed, 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.

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

## 7 Distribution to unit holders

The distributions for the year were as follows:

Distributions	Year ended 30 June 2021		For the period from 1 October 2019 to 30 June 2020	
	\$'000	CPU	\$'000	CPU
July	135	0.6579	-	-
August	137	0.6700	-	-
September	122	0.6300	-	-
October	135	0.6500	-	-
November	141	0.6600	85	0.0057
December	196	0.8900	105	0.0067
January	159	0.7000	107	0.0068
February	197	0.6000	110	0.0069
March	203	0.6100	118	0.0068
April	206	0.6100	85	0.0047
May	220	0.6500	120	0.0059
June (payable)	375	1.1007	193	0.9505
<b>Total distributions</b>	<b>2,226</b>	<b>5.8207</b>	<b>923</b>	<b>0.9940</b>

## 8 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	1,594	585
<b>Total cash and cash equivalents</b>	<b>1,594</b>	<b>585</b>

## 9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the period from 1 October 2019 to 30 June 2020	
	Year ended 30 June 2021 \$'000	30 June 2020 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Increase/(decrease) in net assets attributable to unit holders	(87)	84
Distributions to unit holders	2,226	923
Proceeds from sale of financial instruments at fair value through profit or loss	2,916	481
Purchase of financial instruments held at fair value through profit or loss	(15,901)	(20,313)
Net change in receivables	(177)	(450)
Net change in payables	153	144
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(10,870)</b>	<b>(19,131)</b>

### (b) Non-cash from financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	23,158	-
<b>Total non-cash from financing activities</b>	<b>23,158</b>	<b>-</b>

## 9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year, as reported above, represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 10 Receivables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Other receivable	429	21
<b>Total receivables</b>	<b>429</b>	<b>21</b>

## 11 Payables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Management fees payable	54	31
Performance fees payable	243	113
Responsible entity fees payable	2	-
<b>Total payables</b>	<b>297</b>	<b>144</b>

## 12 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended 30 June 2021 \$	For the period from 1 October 2019 to 30 June 2020 \$
<b>Moore Australia</b>		
<b>Audit and other assurance services</b>		
Audit of financial statements	8,172	12,800
<b>Total remuneration for audit and other assurance services</b>	<b>8,172</b>	<b>12,800</b>
<b>ShineWing Australia</b>		
<b>Audit and other assurance services</b>		
Audit of financial statements	17,000	-
<b>Total remuneration for audit and other assurance services</b>	<b>17,000</b>	<b>-</b>

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

## 13 Related party transactions

### (a) Trustee

Freehold Investment Management Limited (ABN 78 099 959 958) was the trustee of the Fund from the period from 1 July 2020 to 11 June 2021.

The following persons held office as directors of Freehold Investment Management Limited while as trustee of the Fund:

Grant Atchison  
Michael Doery  
Omar Khan  
Trevor Loewensohn

## 13 Related party transactions

### (b) Responsible Entity

Responsible Entity Partners Limited (ABN 11 119 757 596) was the responsible entity of the Fund from 11 June 2021.

The following persons held office as directors of Responsible Entity Partners Limited while as responsible entity of the Fund.

	<b>Date Appointed</b>	<b>Date Resigned</b>
Mr Michael Terlet AO (Chairperson)	1 October 2017	
Mr Ronald Beard	23 October 2013	
Ms Fiona McNabb	28 September 2016	
Mr Darran Goodger	18 February 2021	

None of the directors of Responsible Entity Partners Limited hold or held, units in the Fund.

### (c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

### (d) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

### (e) Key management personnel compensation

Key management personnel were paid by the Trustee and the Responsible Entity during the year. Payments made from the Fund to Responsible Entity Partners Limited do not include any amounts directly attributable to compensation of key management personnel.

### (f) Related party unitholdings

Neither the Responsible Entity nor its related entities held units in the Fund at the end of the financial year.

### (g) Other transactions within the Fund

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

### (h) Other entities with significant influence over the Fund

Freehold Investment Management Limited continues to act as the Manager of the Fund. Freehold was paid \$481,552 in management fees (2020: \$213,886), and \$243,218 in performance fees (2020: \$112,901) during the year.

### 13 Related party transactions

#### (j) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Trust Deed and Information Memorandum for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	<b>Year ended 30 June 2021 \$</b>	For the period from 1 October 2019 to 30 June 2020 \$
Management fees for the year	<b>481,552</b>	213,886
Performance fees for the year	<b>243,218</b>	112,901
Responsible Entity fees for the year	<b>1,864</b>	-
Management fees payable at year end	<b>51,628</b>	30,684

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

### 14 Events occurring after the reporting period

The Fund issued a Product Disclosure Statement on 1 July 2021.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in future may be materially different from those estimated by the Fund at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the fund. At the date of the annual report an estimate of the future effects of the COVID-19 pandemic on the Fund cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Except for the above, no other 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 years.

### 15 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## Director's declaration

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

- (a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and another mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2021 and its performance for the financial year ended on that
- (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.
- (c) note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Fiona Margaret McNabb  
Director  
Responsible Entity Partners Limited

Melbourne  
26 October 2021

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF ALCEON DEBT INCOME FUND

#### Opinion

We have audited the financial report of Alceon Debt Income Fund (the Fund) which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Entity directors' declaration.

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

- a. giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the 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 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 Company, 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.

#### Information Other than the Financial Report and Auditor's Report Thereon

The directors of Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

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## Responsibilities of the Responsible Entity Directors for the Financial Report

The directors of the Responsible Entity of the Fund 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 of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the Fund'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 of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- conclude on the appropriateness of the Responsible Entity directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**ShineWing Australia**  
Chartered Accountants



Rami Eltchelebi  
Partner

Melbourne, 28 October 2021