

Celeste Australian Small Companies Fund

ARSN 093 539 416

Interim Report

For the half-year ended 31 December 2017

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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 30 June 2017 and any public announcements made in respect of Celeste Australian Small Companies Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Celeste Australian Small Companies Fund as an individual entity.

The Responsible Entity of Celeste Australian Small Companies Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150).

The Responsible Entity's registered office is:

Level 18
123 Pitt Street
Sydney NSW 2000

Directors' Report

The Directors of The Trust Company (RE Services) Limited (part of Perpetual Limited), the Responsible Entity of Celeste Australian Small Companies Fund (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2017.

Principal activities

The Fund principally invests in a portfolio of smaller companies, trusts and other entities listed on the Australian Securities Exchange (ASX) that fall outside the S&P/ASX 100 Index in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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.

A new Product Disclosure Statement was issued on 13 December 2017 as a result of change of Responsible Entity.

The various service providers of the Fund are detailed below:

Service	Provider
Responsible Entity	The Trust Company (RE Services) Limited*
Investment Manager	Celeste Funds Management Limited
Custodian and Administrator	Link Fund Solutions Pty Limited
Statutory Auditor	Ernst & Young

**The Trust Company (RE Services) Limited was appointed Responsible Entity on 13 December 2017 following the retirement of Celeste Funds Management Limited who acted as Responsible Entity from 1 July 2017 until 12 December 2017.*

Directors

The following persons held office as Directors of Celeste Funds Management Limited from 1 July 2017 until 12 December 2017:

Joseph Ferragina
Frank Anthony Villante
Paul Campbell Biddle
Maria Josephine Velasco Batoon
Stephen John Hanich

The following persons held office as Directors of The Trust Company (RE Services) Limited from 13 December 2017 and up to the date of this report:

Andrew Cannane (resigned 23 February 2018)
Glenn Foster
Christopher Green
Michael Vainauskas
Andrew McIver (Alternate Director for Michael Vainauskas)
Vicki Riggio (Alternate Director for Andrew Cannane) (resigned 23 February 2018)
Vicki Riggio (Alternate Director for Christopher Green) (appointed 24 November 2017)
Rodney Ellwood (Alternate Director for Christopher Green) (resigned 24 November 2017)
Gillian Larkins (Alternate Director for Glenn Foster) (appointed 14 July 2017)
Neil Wesley (Alternate Director for Glenn Foster) (resigned 14 July 2017)

Directors were in office for this entire period except where stated otherwise.

Celeste Australian Small Companies Fund
Directors' Report
For the half-year ended 31 December 2017
(continued)

Review and results of operations

During the half-year, the Fund continued to invest funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

	Half-year ended	
	31 December 2017	31 December 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	6,088	12,586
Distributions paid and payable (\$'000)	688	479
Distributions (cents per unit)	4.03	2.60

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the half-year.

Matters subsequent to the end of the financial period

Andrew Cannane has resigned from his position as director of The Trust Company (RE Services) Limited and no longer holds office effective 23 February 2018.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- the operations of the Fund in future financial period, or
- the results of those operations in future financial period, or
- the state of affairs of the Fund in future financial period.

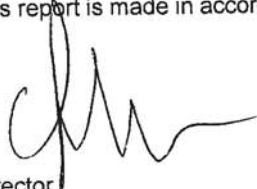
Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by 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 dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the 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 of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
14 March 2018



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Auditor's Independence Declaration to the Directors' of The Trust Company (RE Services) Ltd

As lead auditor for the review of Celeste Australian Small Companies Fund for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Rohit Khanna
Partner
14 March 2018

Celeste Australian Small Companies Fund
Statement of Comprehensive Income
For the half-year ended 31 December 2017

Statement of Comprehensive Income

		Half-year ended	
		31 December	31 December
		2017	2016
Notes		\$'000	\$'000
Investment income			
	Interest income	4	4
	Dividend and distribution income	1,036	1,021
4	Net gains/(losses) on financial instruments held at fair value through profit or loss	5,437	11,870
	Other operating income	-	2
	Total investment income/(loss)	6,477	12,897
Expenses			
	Management fees	352	289
	Transaction costs	37	22
	Total operating expenses	389	311
	Operating profit/(loss)	6,088	12,586
Finance costs attributable to unitholders			
7	Distributions to unitholders	(688)	(479)
6	(Increase)/decrease in net assets attributable to unitholders	(5,400)	(12,107)
	Profit/(loss) for the half-year	-	-
	Other comprehensive income for the half-year	-	-
	Total comprehensive income for the half-year	-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Celeste Australian Small Companies Fund
Statement of Financial Position
As at 31 December 2017

Statement of Financial Position

		As at	
		31 December	30 June
		2017	2017
Notes		\$'000	\$'000
Assets			
	Cash and cash equivalents	994	2,624
	Receivables	16	15
	Due from brokers - receivable for securities sold	66	28
	Financial assets held at fair value through profit or loss	60,374	54,450
	Total assets	61,450	57,117
Liabilities			
	Distributions payable	688	740
	Payables	242	384
	Due to brokers - payable for securities purchased	218	63
	Total liabilities (excluding net assets attributable to unitholders)	1,148	1,187
	Net assets attributable to unitholders - liability	60,302	55,930

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Celeste Australian Small Companies Fund
Statement of Changes in Equity
For the half-year ended 31 December 2017

Statement of Changes in Equity

	Half-year ended	
	31 December	31 December
	2017	2016
	\$'000	\$'000
Total equity at the beginning of the half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the half-year	-	-

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Celeste Australian Small Companies Fund
Statement of Cash Flows
For the half-year ended 31 December 2017

Statement of Cash Flows

	Half-year ended	
	31 December	31 December
	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	13,490	24,092
Purchase of financial instruments held at fair value through profit or loss	(13,771)	(8,147)
Interest income received	4	4
Dividends and distributions received	948	1,021
Other income received	-	2
Management fees paid	(343)	(306)
Transaction costs paid	(38)	(24)
Net cash inflow/(outflow) from operating activities	290	16,642
Cash flows from financing activities		
Proceeds from applications by unitholders	6,569	5,998
Payments for redemptions by unitholders	(7,831)	(22,457)
Distributions paid	(658)	(1,105)
Net cash inflow/(outflow) from financing activities	(1,920)	(17,564)
Net increase/(decrease) in cash and cash equivalents	(1,630)	(922)
Cash and cash equivalents at the beginning of the half-year	2,624	2,341
Cash and cash equivalents at the end of the half-year	994	1,419
Non-cash financing activities	83	307

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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1 General information

These interim financial statements cover Celeste Australian Small Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 29 May 1998 and commenced operations on 31 May 1998. The Fund will terminate on 28 May 2078 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The Fund principally invests in a portfolio of smaller companies, trusts and other entities listed on the Australian Securities Exchange (ASX) that fall outside the S&P/ASX 100 Index in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The interim financial statements were authorised for issue by the Directors on the date the Directors' declaration was signed. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards 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 2017 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*.

These interim financial statements are presented in the Australian dollar.

(a) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Fund's financial statements for the year ended 30 June 2017, except as described below:

Rounding of amounts to the nearest thousands

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

Change in accounting policy: Fair value measurement

The Fund has changed its valuation inputs for listed financial assets from current bid prices to last sale prices as a basis for fair value measurement. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value.

There has been no material impact to the net gains/(losses) on financial instruments held at fair value through profit or loss in the prior period.

3 Fair value measurement

The Fund measures and recognises financial assets at fair value through profit or loss 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 measurement 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).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the last sale price, consistent with the Fund's unit pricing policy. In prior financial reporting periods, the Fund used current bid prices as quoted market price for financial assets held by the Fund.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Fair value in an inactive or unquoted market (level 2)

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.

(iii) Recognised fair value measurements

The table below presents the Fund's financial assets measured and recognised at fair value as at 31 December 2017 and 30 June 2017.

At 31 December 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Australian equity securities	60,374	-	-	60,374
Total	60,374	-	-	60,374

3 Fair value measurement (continued)

(iii) *Recognised fair value measurements (continued)*

At 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Australian equity securities	54,450	-	-	54,450
Total	54,450	-	-	54,450

(iv) *Transfers between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(v) *Financial instruments not carried at fair value*

The carrying value of receivables and payables are expected to be settled within 12 months and approximate their fair values.

Net assets attributable to unit holders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

4 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets held at fair value through profit or loss:

	Half-year ended	
	31 December 2017 \$'000	31 December 2016 \$'000
Financial assets		
Net gain/(loss) on financial assets designated as at fair value through profit or loss	5,437	11,870
Net gains/(losses) on financial assets held at fair value through profit or loss	5,437	11,870
Net realised gain/(loss) on financial assets held at fair value through profit or loss	(10)	8,983
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	5,447	2,887
Net gains/(losses) on financial assets held at fair value through profit or loss	5,437	11,870
Total net gains/(losses) on financial instruments held at fair value through profit or loss	5,437	11,870

5 Financial assets held at fair value through profit or loss

	As at	
	31 December 2017	30 June 2017
	\$'000	\$'000
Designed at fair value through profit or loss		
Australian equity securities	60,374	54,450
Total financial assets held at fair value through profit or loss	60,374	54,450

An overview of the fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 to the interim financial statements.

6 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the half-year (1 July to 31 December) were as follows:

	Half-year ended			
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	Units '000	\$'000	Units '000	\$'000
Opening balance	17,375	55,930	23,042	60,144
Applications	1,934	6,568	1,944	5,998
Redemptions	(2,264)	(7,679)	(6,669)	(19,762)
Reinvestment of distributions	25	83	117	307
Increase/(decrease) in net assets attributable to unitholders	-	5,400	-	12,107
Closing balance	17,070	60,302	18,434	58,794

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

7 Distributions to unitholders

	Half-year ended			
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	\$'000	CPU	\$'000	CPU
December (payable)	688	4.03	479	2.60
Total	688	4.03	479	2.60

8 Receivables

	As at	
	31 December 2017	30 June 2017
	\$'000	\$'000
GST receivable	16	15
Total receivables	16	15

9 Payables

	As at	
	31 December 2017	30 June 2017
	\$'000	\$'000
Management fees payable	193	184
Redemptions payable	48	200
Monies not allocated to units	1	-
Total payables	242	384

10 Events occurring after the reporting period

Andrew Cannane has resigned from his position as director of The Trust Company (RE Services) Limited and no longer holds office effective 23 February 2018.

No other significant events have occurred since the end of the half-year which would have an impact on the financial position of the Fund as disclosed in the statement of financial position as at 31 December 2017 or on the results and cash flows of the Fund for the half-year ended on that date.

11 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 31 December 2017 and 30 June 2017.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 5 to 14 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 2017 and of 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 Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
14 March 2018



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Independent Auditor's Review Report to the Unitholders of Celeste Australian Small Companies Fund

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Celeste Australian Small Companies Fund (the Fund), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2017 and of its financial 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*.

Directors' Responsibility for the Half-Year Financial Report

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

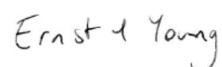
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Fund's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

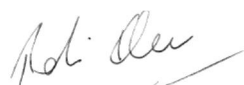
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Rohit Khanna
Partner
Sydney
14 March 2018