

# **Celeste Australian Small Companies Fund**

ARSN 093 539 416

## **Annual Report**

**For the year ended 30 June 2018**

# Celeste Australian Small Companies Fund

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## Annual Report

### For the year ended 30 June 2018

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These financial statements cover 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 (ABN 45 003 278 331) (AFSL 235150) (part of Perpetual Limited), the Responsible Entity of Celeste Australian Small Companies Fund, present their report together with the financial statements of Celeste Australian Small Companies Fund (the "Fund") for the year ended 30 June 2018.

### **Principal activities**

The Fund is a registered managed investment scheme 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 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.

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:

<b>Service</b>	<b>Provider</b>
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 Christopher Green) (appointed 24 November 2017, resigned 20 April 2018)  
Vicki Riggio (Alternate Director for Andrew Cannane) (resigned 23 February 2018)  
Vicki Riggio (appointed as Director 20 April 2018)  
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)  
Phillip Blackmore (Alternate Director for Christopher Green and Vicki Riggio) (appointed 6 July 2018)

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

**Celeste Australian Small Companies Fund**  
**Directors' Report**  
**For the year ended 30 June 2018**  
(continued)

**Review and results of operations**

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

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

	<b>Year ended</b>	
	<b>30 June 2018</b>	30 June 2017
Operating profit/(loss) for the year (\$'000)	<b>9,111</b>	13,859
Distributions paid and payable (\$'000)	<b>1,207</b>	1,217
Distributions (cents per unit)	<b>7.0073</b>	6.8664

**Significant changes in state of affairs**

The Fund has amended its Constitution to change the obligation to distribute trust income to unitholders as at 30 June 2018 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

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

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years,
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of The Trust Company (RE Services) Limited. So long as the officers of The Trust Company (RE Services) Limited act in accordance with the Fund's 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 auditor**

The auditor of the Fund is 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 Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 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 as at the end of the financial year are disclosed in Note 14 to the financial statements.

**Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in 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**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) 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 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 5.

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  
20 September 2018



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

As lead auditor for the audit of Celeste Australian Small Companies Fund for the financial year ended 30 June 2018, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
20 September 2018

**Celeste Australian Small Companies Fund**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

**Statement of Comprehensive Income**

	Notes	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
<b>Investment income</b>			
Interest income		11	9
Dividend and distribution income		2,063	1,823
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	7,831	12,686
Other operating income		-	2
<b>Total investment income/(loss)</b>		<b>9,905</b>	<b>14,520</b>
<b>Expenses</b>			
Management fees	14	728	617
Transaction costs		65	44
Other operating expenses		1	-
<b>Total operating expenses</b>		<b>794</b>	<b>661</b>
<b>Operating profit/(loss)</b>		<b>9,111</b>	<b>13,859</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders*	8	(1,207)	(1,217)
(Increase)/decrease in net assets attributable to unitholders*	7	(7,904)	(12,642)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

\* Net assets attributable to unitholders are reclassified from liabilities to equity as at 30 June 2018. Refer to Note 1 and Note 7 for further detail.

*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 30 June 2018**

**Statement of Financial Position**

		<b>As at</b>	
	<b>Notes</b>	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Assets</b>			
Cash and cash equivalents	9	2,273	2,624
Receivables	11	159	15
Due from brokers - receivable for securities sold		128	28
Financial assets held at fair value through profit or loss	6	62,704	54,450
<b>Total assets</b>		<b>65,264</b>	<b>57,117</b>
<b>Liabilities</b>			
Distributions payable	8	519	740
Payables	12	186	384
Due to brokers - payable for securities purchased		309	63
<b>Total liabilities (30 June 2017: excluding net assets attributable to unitholders)</b>		<b>1,014</b>	<b>1,187</b>
<b>Net assets attributable to unitholders - liability*</b>		-	55,930
<b>Net assets attributable to unitholders - equity*</b>		<b>64,250</b>	-

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

*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 year ended 30 June 2018**

**Statement of Changes in Equity**

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Total equity at the beginning of the year</b>	-	-
<b>Comprehensive income for the year</b>		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
Reclassification due to AMIT tax regime implementation*	64,250	-
<b>Total equity at the end of the year*</b>	64,250	-

\* As at 30 June 2018, the Fund's units have been reclassified from financial liability to equity. Refer to Note 1 and Note 7 for further detail.

*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 year ended 30 June 2018**

**Statement of Cash Flows**

	Year ended	
	30 June 2018	30 June 2017
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	24,408	36,576
Purchase of financial instruments held at fair value through profit or loss	(24,533)	(15,886)
Interest income received	11	9
Dividends and distributions received	1,774	1,823
Other income received	-	2
Management fees paid	(849)	(600)
Transaction costs paid	(66)	(41)
Other operating expenses paid	(1)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>744</b>	<b>21,883</b>
10(a)		
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	11,544	10,398
Payments for redemptions by unitholders	(11,355)	(30,511)
Distributions paid	(1,284)	(1,487)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(1,095)</b>	<b>(21,600)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(351)</b>	<b>283</b>
Cash and cash equivalents at the beginning of the year	2,624	2,341
<b>Cash and cash equivalents at the end of the year</b>	<b>2,273</b>	<b>2,624</b>
9		
Non-cash financing activities	144	404
10(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 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 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. 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.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 30 June 2018. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been reclassified from a financial liability to equity on 30 June 2018, see Note 7 for further information.

The financial statements of the Fund are for the year ended 30 June 2018. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors of the Responsible Entity on the date the Directors' Declaration was signed. 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 Australian Accounting Standards Board (AASB) 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 twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period 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.

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

#### *(ii) New and amended standards adopted by the Fund*

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

#### *(iii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The Directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable for annual reporting periods beginning before 1 January 2018. The Directors do not expect this to have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit and loss, the change in impairment rules will not materially impact the Fund.

- AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

### **(b) Financial instruments**

#### *(i) Classification*

The Fund's investments are classified as held at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold at any time prior to maturity. These are investments in exchange traded equity instruments.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(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 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 risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

#### *(iii) Measurement*

##### *Financial instruments held at fair value through profit or loss*

At initial recognition, the Fund measures a financial asset and financial liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and financial liabilities held 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 or financial liabilities held at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

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 year.

For further details on how the fair values of financial instruments are determined, please see Note 4 to the financial statements.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when the Fund has 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 which could be offset in the Statement of Financial Position.

### **(c) Net assets attributable to unitholders**

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

The units can be put back to the Fund at any time for cash based on the redemption price.

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

## **2 Summary of significant accounting policies (continued)**

### **(c) Net assets attributable to unitholders (continued)**

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. As at 30 June 2018, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

### **(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 and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### **(e) Investment income**

Interest income on cash and cash equivalents is recognised in the Statement of Comprehensive Income on an accruals basis.

Changes in fair value of financial instruments held at fair value through profit and loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlement 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 provided it attributes the entirety of its taxable income to its unitholders.

### **(h) Distributions**

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

### **(i) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

## **2 Summary of significant accounting policies (continued)**

### **(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 year end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

### **(k) Receivables**

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credits (RITC).

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

### **(l) Payables**

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared 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 unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### **(m) Applications and redemptions**

Unit application and redemption prices are determined by reference to the net assets per the Fund divided by the number of units on issue, adjusted for buy/sell spreads.

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

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are 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 readily available.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.



## **2 Summary of significant accounting policies (continued)**

### **(p) 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 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.

### **(q) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## **3 Financial risk management**

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

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

This framework includes:

- Integrated computer systems and processes with checks and balances,
- Policies and procedures covering operations,
- Post trade investment compliance monitoring,
- Segregation of the dealing and investment management function from the administration and settlement function,
- An independent service provider for the valuation of securities, and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.

Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

This framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers"),
- Regular reviews of Service Providers, and
- Monitoring of Responsible Entity Services compliance in accordance with Risk and Control Self Assessment methodology.

### **3 Financial risk management (continued)**

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients, Client Manager - Corporate Clients.

Responsible Entity Services undertakes monitoring visits of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

#### **(a) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *(i) Price risk*

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of Financial Position as financial assets held at fair value through profit or loss.

The Investment Manager mitigates this price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Product Disclosure Statement. Between 90% and 100% of the net assets attributable to unitholders are invested in Australian shares. The Fund will invest in listed Australian securities outside the S&P/ASX 100 Index and as a guideline, the Fund will usually hold approximately 30 to 40 different securities. The Fund has not invested in any derivatives during the financial year (2017: nil).

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2017: +/- 10%).

##### *(ii) Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's main interest rate risk arises from its holdings of cash and cash equivalents.

The majority of the Fund's assets are held in equities which are non-interest bearing securities. Hence, the Fund is not exposed to significant interest rate risk. The impact of interest rate risk on net assets attributable to unitholders and operating profit/(loss) is considered immaterial to the Fund.

#### **(b) Summarised sensitivity analysis**

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variances in the risk variables.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis (continued)

	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	Price risk	
	-10%	+10%
	\$'000	\$'000
<b>At 30 June 2018</b>	<b>(6,270)</b>	<b>6,270</b>
At 30 June 2017	(5,445)	5,445

#### (c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, causing a financial loss to the Fund.

Investment management processes include the consideration of counterparty risk. The Fund trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Fund's policy to securitise its trade and other receivables.

The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past due. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

#### (d) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemption of its redeemable units on a daily basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's Constitution.

The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand. The Fund's financial instruments are considered to be readily realisable as they are all listed on the Australian Securities Exchange.

The Responsible Entity may, under the Fund's Constitution, suspend or delay withdrawals in certain circumstances if it believes that is in the best interests of unitholders as a whole.

##### (i) Maturities of non-derivative financial liabilities

All non-derivative liabilities of the Fund in the current and prior year have maturities of less than one month.

#### 4 Fair value measurement

The Fund measures and recognises the following financial assets at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss (FVTPL) (see Note 6)

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

AASB 13 *Fair Value Measurement* 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).

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

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

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.

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.

*(b) 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.

*(c) Recognised fair value measurements*

The following table presents the Fund's assets measured and recognised at fair value as at 30 June.

<b>At 30 June 2018</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Australian equity securities	62,704	-	-	62,704
<b>Total financial assets</b>	<b>62,704</b>	<b>-</b>	<b>-</b>	<b>62,704</b>

#### 4 Fair value measurement (continued)

(c) *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
<b>Total financial assets</b>	<b>54,450</b>	<b>-</b>	<b>-</b>	<b>54,450</b>

(d) *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 as at 30 June 2018 and 30 June 2017.

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

The carrying value of receivables and payables are assumed to approximate their fair values.

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

#### 5 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:

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Financial assets</b>		
Net gain/(loss) on financial assets designated at fair value through profit or loss	7,831	12,686
Net gains/(losses) on financial assets held at fair value through profit or loss	7,831	12,686
Net realised gain/(loss) on financial assets held at fair value through profit or loss	3,176	1,798
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	4,655	10,888
Net gains/(losses) on financial assets held at fair value through profit or loss	7,831	12,686
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>7,831</b>	<b>12,686</b>

## 6 Financial assets held at fair value through profit or loss

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Designated at fair value through profit or loss</b>		
Australian listed equity securities	62,704	54,450
<b>Total financial assets held at fair value through profit or loss</b>	<b>62,704</b>	<b>54,450</b>

## 7 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments that meet the definition of a financial liability are to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 30 June 2018, the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 30 June 2018, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity as at 30 June 2018.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the Statement of Comprehensive Income, but rather as dividends paid in the Statement of Changes in Equity.

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

	Year ended			
	30 June 2018 Units '000	30 June 2018 \$'000	30 June 2017 Units '000	30 June 2017 \$'000
Opening balance	17,375	55,930	23,042	60,144
Applications	3,293	11,544	3,299	10,398
Redemptions	(3,248)	(11,272)	(9,113)	(27,658)
Reinvestment of distributions	41	144	147	404
Increase/(decrease) in net assets attributable to unitholders	-	7,904	-	12,642
<b>Closing balance</b>	<b>17,461</b>	<b>64,250</b>	17,375	55,930

Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

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. 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 unitholders' 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.

## 7 Net assets attributable to unitholders (continued)

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability until 30 June 2017. 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 Investment Manager. 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.

Generally, the Fund's strategy is to hold liquid investments. Liquid assets include cash and cash equivalents and listed investments.

## 8 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions</b>				
December	688	4.0329	477	2.6000
June (payable)	519	2.9744	740	4.2664
<b>Total distributions</b>	<b>1,207</b>	<b>7.0073</b>	1,217	6.8664

## 9 Cash and cash equivalents

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Cash at bank	2,273	2,624
<b>Total cash and cash equivalents</b>	<b>2,273</b>	2,624

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

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

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	7,904	12,642
Distribution to unitholders	1,207	1,217
Proceeds from sale of financial instruments held at fair value through profit or loss	24,408	36,588
Purchase of financial instruments held at fair value through profit or loss	(24,533)	(15,886)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(7,831)	(12,686)
Dividend income reinvested	(152)	-
Net change in receivables	(144)	2
Net change in payables	(115)	6
<b>Net cash inflow/(outflow) from operating activities</b>	<b>744</b>	<b>21,883</b>

### (b) Non-cash financing activities

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	144	404
<b>Total non-cash financing activities</b>	<b>144</b>	<b>404</b>

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



## 11 Receivables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Dividends and distributions receivable	137	-
GST receivable	22	15
<b>Total receivables</b>	<b>159</b>	<b>15</b>

## 12 Payables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Management fees payable	69	184
Redemptions payable	117	200
<b>Total payables</b>	<b>186</b>	<b>384</b>

## 13 Remuneration of auditor

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements - Ernst & Young	21,000	-
Audit and review of financial statements - Deloitte Touche Tohmatsu	-	21,100
Audit of compliance plan - PricewaterhouseCoopers Australia	2,475	-
Total remuneration for audit and other assurance services	<b>23,475</b>	<b>21,100</b>
<i>Taxation services</i>		
Tax services - Ernst & Young	12,000	-
Total remuneration for taxation services	<b>12,000</b>	<b>-</b>
<b>Total remuneration of auditors</b>	<b>35,475</b>	<b>21,100</b>

The auditor's remuneration is borne by the Investment Manager and not re-charged to the Fund. Fees are stated exclusive of GST.

## 14 Related party transactions

The Responsible Entity of Celeste Australian Small Companies Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). 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. Accordingly, transactions with entities related to The Trust Company (RE Services) Limited and Celeste Funds Management Limited are disclosed below.

The Responsible Entity has contracted services to Celeste Funds Management Limited to act as Investment Manager for the Fund and Link Fund Solutions Pty Limited to act as Administrator and Custodian for the Fund. The contracts are on normal commercial terms and conditions.

### (a) 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 Christopher Green) (appointed 24 November 2017, resigned 20 April 2018)  
Vicki Riggio (Alternate Director for Andrew Cannane) (resigned 23 February 2018)  
Vicki Riggio (appointed as Director 20 April 2018)  
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)  
Phillip Blackmore (Alternate Director for Christopher Green and Vicki Riggio) (appointed 6 July 2018)

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

### (b) 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.

### (c) Transactions with key management personnel

Apart from those details disclosed in this note, there were no other transactions with key management personnel during the reporting period.

Key management personnel did not hold units in the Fund as at 30 June 2018 (30 June 2017: nil).

### (d) Key management personnel compensation

Key management personnel from 13 December 2017 are paid by The Trust Company (RE Services) Limited, a wholly owned subsidiary of the Perpetual Group. Payments made from the Fund to Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Prior to 13 December 2017, key management personnel were paid by Celeste Funds Management Limited. No amount was paid out of the Fund to the key management personnel by Celeste Funds Management Limited.

## 14 Related party transactions (continued)

### (e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2017: nil).

### (f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

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

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Management fees for the year	728,357	616,622
Aggregate amounts payable to the Investment Manager at year end	68,522	184,313

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

### (h) Related party unitholdings

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited), held no units in the Fund as at 30 June 2018 (30 June 2017: nil).

Parties related to the Fund (including Celeste Funds Management Limited, its related parties and other schemes managed by Celeste Funds Management Limited) hold units in the Fund, as follows:

#### 2018

Unitholder	No. of units held opening	No. of units held closing	Fair value of investment (\$)	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
Gotterdamering Pty Limited ATF Gotterdamering Superannuation Fund	68,211	68,990	253,104	0.40	779	-	4,803
Scotia Brae Pty Ltd ATF Scotia Superannuation Fund	37,723	7,120	26,121	0.04	-	30,603	499

## 14 Related party transactions (continued)

### (h) Related party unitholdings (continued)

2017 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment (\$)	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
Gotterdamerung Pty Limited ATF Gotterdamerung Superannuation Fund	66,781	68,211	219,934	0.39	1,430	-	4,609
Scotia Brae Pty Ltd ATF Scotia Superannuation Fund	37,723	37,723	121,629	0.22	-	-	2,590

## 15 Events occurring after the reporting period

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

## 16 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and Notes set out on pages 6 to 27 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 30 June 2018 and of its performance for the financial 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, and
- (c) Note 2(a) confirms that the financial statements comply with 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 Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
20 September 2018

## Independent auditor's report to the unitholders of Celeste Australian Small Companies Fund

### Opinion

We have audited the financial report of Celeste Australian Small Companies Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the 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 2018 and of its financial performance for the year ended on that date; 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 and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 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 are responsible for the other information. The other information is the directors' report accompanying the financial report.

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.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 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.

*Ernst & Young*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
20 September 2018