

# **Celeste Australian Small Companies Fund**

ARSN 093 539 416

## **Interim Report**

**For the half-year ended 31 December 2019**

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## Interim Report

## For the half-year ended 31 December 2019

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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 2019 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 Angel Place  
123 Pitt Street  
Sydney NSW 2000

## **Directors' Report**

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Celeste Australian Small Companies Fund (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2019.

### **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 was constituted on 29 May 1998 and commenced operations on 31 May 1998.

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

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

### **Directors**

The Directors of The Trust Company (RE Services) Limited during the half-year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise.

Glenn Foster

Michael Vainauskas (resigned 27 September 2019)

Andrew McIver (Alternate Director for Michael Vainauskas) (resigned 2 September 2019)

Andrew McIver (Alternate Director for Glenn Foster) (appointed 2 September 2019, resigned 27 September 2019)

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

Richard McCarthy

Simone Mosse (appointed 27 September 2019)

### **Review and results of operations**

During the half-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.

### **Results**

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

	<b>Half-year ended</b>	
	<b>31 December 2019</b>	31 December 2018
Profit/(loss) for the half year (\$'000)	<b>7,961</b>	(15,008)
Distributions paid and payable (\$'000)	<b>842</b>	1,502
Distributions (cents per unit)	<b>4.5177</b>	6.5200

**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 half-year**

Since 31 December 2019, significant volatility in the financial markets have had an impact on the value of the Fund's investments. Subsequent to the Statement of Financial Position date, the aggregate fair value of the Fund's investments has decreased by approximately 13%. Any impact on the Fund has not been recognised in the 31 December 2019 financial statements.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

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

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with 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 and auditors**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Responsible Entity or the auditors of the Fund. So long as the officers of Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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

**Units in the Fund**

The movement in units on issue in the Fund during the half-year is disclosed in Note 6 to the interim 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 interim 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.

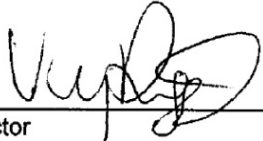
**Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' 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 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  
11 March 2020



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity for Celeste Australian Small Companies Fund

As lead auditor for the review of the half-year financial report of Celeste Australian Small Companies Fund for the half-year ended 31 December 2019, 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.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Rohit Khanna".

Rohit Khanna  
Partner  
11 March 2020

**Celeste Australian Small Companies Fund**  
**Statement of Comprehensive Income**  
**For the half-year ended 31 December 2019**

**Statement of Comprehensive Income**

	<b>Half-year ended</b>	
	<b>31 December</b>	31 December
	<b>2019</b>	2018
Notes	<b>\$'000</b>	\$'000
<b>Investment income</b>		
Interest income from financial assets at amortised cost	9	20
Dividend and distribution income	1,282	1,769
Net gains/(losses) on financial instruments at fair value through profit or loss	4 7,186	(16,300)
Other operating income	1	9
<b>Total investment income/(loss)</b>	<b>8,478</b>	<b>(14,502)</b>
<b>Expenses</b>		
Management fees	450	432
Transaction costs	67	74
<b>Total operating expenses</b>	<b>517</b>	<b>506</b>
<b>Profit/(loss) for the half-year</b>	<b>7,961</b>	<b>(15,008)</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the half-year</b>	<b>7,961</b>	<b>(15,008)</b>

*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 2019**

**Statement of Financial Position**

	<b>As at</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Cash and cash equivalents	4,166	1,812
Receivables	27	39
Financial assets at fair value through profit or loss	5 <u>67,046</u>	<u>76,576</u>
<b>Total assets</b>	<b><u>71,239</u></b>	<b><u>78,427</u></b>
<b>Liabilities</b>		
Distributions payable	842	876
Payables	147	279
Due to brokers - payable for securities purchased	<u>-</u>	<u>676</u>
<b>Total liabilities</b>	<b><u>989</u></b>	<b><u>1,831</u></b>
<b>Net assets attributable to unitholders - equity</b>	<b><u>70,250</u></b>	<b><u>76,596</u></b>

*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 2019**

**Statement of Changes in Equity**

	Half-year ended	
	31 December	31 December
	2019	2018
	\$'000	\$'000
<b>Total equity at the beginning of the half-year</b>	<b>76,596</b>	64,250
<b>Comprehensive income for the half-year</b>		
Profit/(loss) for the half-year	7,961	(15,008)
Other comprehensive income	-	-
<b>Total comprehensive income for the half-year</b>	<b>7,961</b>	(15,008)
<b>Transactions with unitholders</b>		
Applications	3,721	24,459
Redemptions	(17,517)	(4,209)
Reinvestment of distributions	331	104
Distributions paid and payable	(842)	(1,502)
<b>Total transactions with unitholders</b>	<b>(14,307)</b>	18,852
<b>Total equity at the end of the half-year</b>	<b>70,250</b>	68,094

*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 2019**

**Statement of Cash Flows**

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	40,388	13,284
Purchase of financial instruments at fair value through profit or loss	(24,306)	(35,086)
Interest income received from financial assets at amortised cost	9	20
Dividends and distributions received	1,240	1,906
Other income received	8	9
Management fees paid	(452)	(352)
Transaction costs paid	(69)	(73)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>16,818</b>	<b>(20,292)</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	3,794	24,461
Payments for redemptions by unitholders	(17,713)	(4,188)
Distributions paid	(545)	(415)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(14,464)</b>	<b>19,858</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,354</b>	<b>(434)</b>
Cash and cash equivalents at the beginning of the half-year	1,812	2,273
<b>Cash and cash equivalents at the end of the half-year</b>	<b>4,166</b>	<b>1,839</b>
<b>Non-cash financing activities</b>		
Issue of units under the distribution reinvestment plan	331	104

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

## Notes to the Interim Financial Statements

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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 was constituted on 29 May 1998 and commenced operations on 31 May 1998. The Fund will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Fund is Celeste Funds Management Limited (the "Investment Manager").

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 are presented in Australian dollars, which is the functional currency of the Fund.

The interim financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 11 March 2020. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

## **2 Summary of significant accounting policies**

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

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

These interim financial statements have been prepared in accordance with Australian Accounting 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 2019 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The 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.

### **(b) 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 2019.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### **(c) Rounding of amounts**

The Fund is an entity of the 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 interim financial statements. Amounts in the interim financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

### 3 Fair value measurement

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

- Financial assets at fair value through profit or loss (FVTPL)

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).

*(i) 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 interim financial statements. For the majority of its investments, information provided by independent pricing services is relied upon for the valuation of investments.

The quoted market price used to fair value financial assets held by the Fund is the last-traded prices.

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) Recognised fair value measurements*

The following table presents the Fund's financial assets measured and recognised at fair value as at 31 December 2019 and 30 June 2019.

<b>As at 31 December 2019</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Australian equity securities	67,046	-	-	67,046
<b>Total financial assets at fair value through profit or loss</b>	<b>67,046</b>	<b>-</b>	<b>-</b>	<b>67,046</b>
<b>As at 30 June 2019</b>				
<b>Financial assets at fair value through profit or loss</b>				
Australian equity securities	74,867	-	-	74,867
Australian property trusts	1,709	-	-	1,709
<b>Total financial assets at fair value through profit or loss</b>	<b>76,576</b>	<b>-</b>	<b>-</b>	<b>76,576</b>

### 3 Fair value measurement (continued)

*(iii) Transfers between levels*

The Fund'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 the levels in the fair value hierarchy during the reporting period.

*(iv) Fair values of other financial instruments*

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables are assumed to approximate fair value.

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

	Half-year ended	
	31 December 2019 \$'000	31 December 2018 \$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	4,968	690
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	2,218	(16,990)
<b>Net gains/(losses) on financial assets at fair value through profit or loss</b>	<b>7,186</b>	<b>(16,300)</b>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>7,186</b>	<b>(16,300)</b>

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

	As at	
	31 December 2019 \$'000	30 June 2019 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Australian listed equity securities	67,046	74,867
Australian property trusts	-	1,709
<b>Total financial assets at fair value through profit or loss</b>	<b>67,046</b>	<b>76,576</b>

## 6 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 has elected into the AMIT tax regime and consequently the Fund's Constitution has been amended. The Fund does not have 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.

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

	Half-year ended		Half-year ended	
	31 December	31 December	31 December	31 December
	2019	2019	2018	2018
	No. '000	\$'000	No. '000	\$'000
Opening balance	22,253	76,596	17,461	64,250
Applications	1,009	3,721	6,811	24,459
Redemptions	(4,720)	(17,517)	(1,255)	(4,209)
Reinvestment of distributions	96	331	28	104
Distributions paid and payable	-	(842)	-	(1,502)
Profit/(loss) for the half-year	-	7,961	-	(15,008)
<b>Closing balance</b>	<b>18,638</b>	<b>70,250</b>	<b>23,045</b>	<b>68,094</b>

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.

### Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. 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 Distributions to unitholders

Distributions are payable semi-annually. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December	31 December	31 December	31 December
	2019	2019	2018	2018
	\$'000	CPU*	\$'000	CPU*
December (payable)	842	4.5177	1,502	6.5200
<b>Total distributions</b>	<b>842</b>	<b>4.5177</b>	<b>1,502</b>	<b>6.5200</b>

\* Distributions is expressed as cents per unit amount in the Australian Dollar.

**8 Auditor's remuneration**

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

	<b>Half-year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Ernst &amp; Young</b>		
<b>Audit and other assurance services</b>		
Review of financial statements	7,500	7,000
Total remuneration for audit and other assurance services	7,500	7,000
<b>Total remuneration of Ernst &amp; Young</b>	<b>7,500</b>	<b>7,000</b>

The auditor's remuneration is borne by the Investment Manager and not re-charged to the Fund.

**9 Significant events during the half-year**

There were no significant events during the half-year.

**10 Events occurring after the reporting period**

Since 31 December 2019, significant volatility in the financial markets have had an impact on the value of the Fund's investments. Subsequent to the Statement of Financial Position date, the aggregate fair value of the Fund's investments has decreased by approximately 13%. Any impact on the Fund has not been recognised in the 31 December 2019 financial statements.

The Directors are not aware of any other event or circumstance since the end of the half-year not otherwise addressed within these interim financial statements that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

**11 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2019 and 30 June 2019.

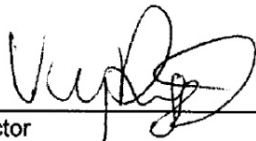


## Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 6 to 15 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 2019 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  
11 March 2020



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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 2019, 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 description 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 2019 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 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 2019 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*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
11 March 2020