

# **Celeste Australian Small Companies Fund**

ARSN 093 539 416

## **Annual report**

**For the year ended 30 June 2021**

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## Annual report

### For the year ended 30 June 2021

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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 Angel Place, 123 Pitt Street Sydney, NSW 2000.

## Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) 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 financial statements of the Fund for the year ended 30 June 2021.

### 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 aims to provide exposure to listed Australian companies outside the S&P/ASX 100 Index and produce investment returns which aim to exceed the benchmark over rolling five-year periods.

The Fund was constituted on 29 May 1998 and commenced operations on 31 May 1998.

The Fund did not have any employees during the year.

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

### Directors

The Directors of The Trust Company (RE Services) Limited during the 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 (resigned as Director on 23 October 2020) (appointed as a Non-executive Director on 1 February 2021)

Richard McCarthy

Simone Mosse

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

### 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.

### Results

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

	<b>Year ended</b>	
	<b>30 June 2021</b>	30 June 2020
Operating profit/(loss) (\$'000)	<u>27,810</u>	(1,050)
Distributions paid and payable (\$'000)	<u>2,595</u>	1,771
Distributions (cents per unit)	<u>14.0179</u>	9.5128

**Significant changes in the state of affairs**

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

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**

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (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 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 regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the 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.

**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 12 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 units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 to the financial statements.

**Units in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 of 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.

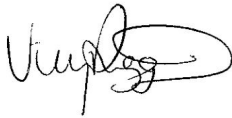
**Rounding of amounts to the nearest thousand dollars**

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  
21 September 2021



**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 audit of the financial report of Celeste Australian Small Companies Fund for the financial year ended 30 June 2021, 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

Ernst & Young

Rohit Khanna  
Partner  
21 September 2021

**Celeste Australian Small Companies Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2021**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	30 June
		<b>2021</b>	2020
	Notes	<b>\$'000</b>	\$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		-	13
Dividend income		<b>1,628</b>	2,200
Net gains/(losses) on financial instruments at fair value through profit or loss	5	<b>27,912</b>	(2,359)
Other operating income		-	1
<b>Total investment income/(loss)</b>		<b>29,540</b>	(145)
<b>Expenses</b>			
Management fees	12	<b>831</b>	784
Performance fees	12	<b>813</b>	-
Transaction costs		<b>86</b>	120
Other operating expenses		-	1
<b>Total operating expenses</b>		<b>1,730</b>	905
<b>Operating profit/(loss)</b>		<b>27,810</b>	(1,050)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>27,810</b>	(1,050)

*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 2021**

**Statement of financial position**

	Notes	As at	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	3,148	2,436
Dividends receivable		-	67
GST receivable		52	19
Receivables from Investment Manager	12	11	4
Financial assets at fair value through profit or loss	6	85,089	58,877
<b>Total assets</b>		<b>88,300</b>	<b>61,403</b>
<b>Liabilities</b>			
Distributions payable	8	2,595	929
Management fees payable	12	83	64
Performance fees payable	12	386	-
Redemptions payable		60	19
Due to brokers - payable for securities purchased		-	34
<b>Total liabilities</b>		<b>3,124</b>	<b>1,046</b>
<b>Net assets attributable to unitholders - equity</b>	<b>7</b>	<b>85,176</b>	<b>60,357</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 year ended 30 June 2021**

**Statement of changes in equity**

	<b>Year ended</b>	
Notes	<b>30 June 2021 \$'000</b>	30 June 2020 \$'000
<b>Total equity at the beginning of the year</b>	<b>60,357</b>	76,596
<b>Comprehensive income/(loss) for the year</b>		
Profit/(loss) for the year	<b>27,810</b>	(1,050)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>27,810</b>	(1,050)
<b>Transactions with unitholders</b>		
Applications	7 <b>10,319</b>	7,810
Redemptions	7 <b>(10,995)</b>	(21,816)
Units issued upon reinvestment of distributions	7 <b>280</b>	588
Distributions paid and payable	7 <b>(2,595)</b>	(1,771)
<b>Total transactions with unitholders</b>	<b>(2,991)</b>	(15,189)
 <b>Total equity at the end of the year</b>	 <b>85,176</b>	 60,357

*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 2021**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	31,802	59,079
Payments for purchase of financial instruments at fair value through profit or loss	(30,117)	(44,323)
Interest income received from financial assets at amortised cost	-	13
Dividends received	1,676	2,075
Other operating income received	-	4
Management fees paid	(820)	(790)
Performance fees paid	(454)	-
Transaction costs paid	(84)	(120)
Other operating expenses paid	(7)	(1)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,996</b>	<b>15,937</b>
	10(a)	
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	10,319	7,810
Payments for redemptions by unitholders	(10,954)	(21,993)
Distributions paid	(649)	(1,130)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(1,284)</b>	<b>(15,313)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>712</b>	<b>624</b>
Cash and cash equivalents at the beginning of the year	2,436	1,812
<b>Cash and cash equivalents at the end of the year</b>	<b>3,148</b>	<b>2,436</b>
	9	
Non-cash financing activities	280	588
	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 Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) 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 Investment manager of the Fund is Celeste Funds Management Limited (the "Investment Manager").

The investment objective of the Fund is to produce returns which exceed the benchmark over rolling five-year periods. 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 financial statements of the Fund are for the year ended 30 June 2021. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 21 September 2021. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity 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 are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss.

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

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

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

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

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

*(iii) New standards, amendments and interpretations effective after 1 July 2021 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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

*(i) Classification*

- Financial assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

The financial assets measured at amortised cost are subject to the expected credit loss ("ECL") impairment model under AASB 9.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distribution payable, management fees payable, redemptions payable and due to brokers).

*(ii) Recognition and 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.

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

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled, expired or when there is substantial modification.

*(iii) Measurement*

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial 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 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 at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

Further details on how the fair value of financial instruments is determined are disclosed in Note 4.

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

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

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

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

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of financial position.

#### *(v) Impairment*

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

### **(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 units back to the Fund.

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.

The Fund's units are classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

### **(d) Cash and cash equivalents**

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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

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

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

Interest income from financial assets at amortised cost is recognised on an accrual basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of comprehensive income.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements. Other income is recognised on an accruals basis.

### **(f) Expenses**

All expenses, including management fees, performance fees, transaction costs and other operating 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 and dividends**

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

### **(i) Due from/to brokers**

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

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

### **(j) Receivables**

Receivables may include amounts for dividends and receivable from Investment Manager. Dividends are accrued when the right to receive payment is established. Where applicable interest is accrued at each dealing date in accordance with policy set out in dividends Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the ECL, receivables have been grouped based on days overdue.

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

### **(k) Payables**

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

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately 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.

### **(l) Applications and redemptions**

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

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

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

### **(n) 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.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.



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

### **(o) 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.

### **(p) 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**

### **(a) Overview**

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the investment objective and strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

### **(b) Market risk**

Market risk is the risk that changes in market risk factors, such as equity prices, 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*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

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 at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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 50 different securities. The Fund has not invested in any derivatives during the financial year (2020: nil), and has no intention of investing in derivatives.

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Price risk (continued)

As at year end, the overall market exposure were as follows:

As at 30 June 2021	Fair value \$'000	% of net assets attributable to unitholders
<b>Financial assets</b>		
Listed equity securities	85,089	99.90%
<b>Total financial assets</b>	<b>85,089</b>	<b>99.90%</b>
As at 30 June 2020	Fair value \$'000	% of net assets attributable to unitholders
Financial assets		
Listed equity securities	58,877	97.55%
Total financial assets	58,877	97.55%

The Fund only invests in securities listed on the Australian Securities Exchange; it does not invest in unlisted securities.

The Fund is exposed, particularly through its equity portfolio, to concentration and market risks influencing investment valuations. These include Australian economic factors, changes in a company's internal operations or management, and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements, as well as recent market movements due to the COVID-19 pandemic.

The table at Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit/(loss) and net asset attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2020: +/- 10%) from the year end prices with all other variables held constant.

##### (ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's main interest rate risk arises from its holdings of cash and cash equivalents. Interest income from cash holding is earned at variable interest rates.

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.

### 3 Financial risk management (continued)

#### (c) 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 levels of changes in interest rates and the 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 should not be used to predict future variances in the risk variables.

	<b>Impact on operating profit/(loss)/net assets attributable to unitholders</b>	
	<b>Price risk</b>	
	<b>-10%</b>	<b>+10%</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2021</b>	<b>(8,509)</b>	<b>8,509</b>
As at 30 June 2020	(5,888)	5,888

#### (d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

##### (i) Bank deposits and assets held with the custodian

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

The table below summarises these assets as at 30 June 2021 and 30 June 2020:

##### As at 30 June 2021

<b>Bank, Brokers and Custodian</b>	<b>\$'000</b>	<b>Credit rating</b>	<b>Source of credit rating</b>
Australia and New Zealand Banking Group Ltd	99	AA-	Standard and Poor's
JP Morgan Chase Bank N.A. (Sydney Branch)	88,195	A+	Standard and Poor's

The custody balance with JP Morgan Chase N.A. (Sydney Branch) includes investments in equities totalling \$85,089,000.

##### As at 30 June 2020

Bank, Brokers and Custodian	\$'000	Credit rating	Source of credit rating
Australia and New Zealand Banking Group Ltd	13	AA-	Standard and Poor's
JP Morgan Chase Bank N.A. (Sydney Branch)	61,303	A+	Standard and Poor's

The custody balance with JP Morgan Chase N.A. (Sydney Branch) includes investments in equities totalling \$58,877,000.

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

#### **(e) Liquidity risk**

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

The Fund 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.

To assess the impact of COVID-19 on the liquidity of the Fund, the Responsible Entity conducted frequent and enhanced monitoring of the liquidity of the Fund during the reporting year.

#### *(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 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).

#### *(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 end of the reporting period without any deduction for estimated future selling costs.

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

The quoted market price used for financial assets held by the Fund is the last-traded price.

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.

Included within level 1 of the hierarchy are listed investments. The fair value of these financial assets have been based on the last sale prices at the close of trading at the end of the reporting period, excluding transaction costs.

#### 4 Fair value measurement (continued)

(b) *Recognised fair value measurements*

The following table presents the Fund's assets measured and recognised at fair value as at 30 June 2021 and 30 June 2020.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets at fair value through profit or loss</b>				
Australian equity securities	85,089	-	-	85,089
<b>Total</b>	<b>85,089</b>	<b>-</b>	<b>-</b>	<b>85,089</b>
<b>As at 30 June 2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
Australian equity securities	58,877	-	-	58,877
<b>Total</b>	<b>58,877</b>	<b>-</b>	<b>-</b>	<b>58,877</b>

(c) *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 year.

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2021 or year ended 30 June 2020.

(d) *Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

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

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets</b>		
Net realised gains/(losses) on financial assets at fair value through profit or loss	2,544	3,266
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	25,368	(5,625)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>27,912</b>	<b>(2,359)</b>

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

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Australian listed equity securities	85,089	58,877
<b>Total financial assets at fair value through profit or loss</b>	<b>85,089</b>	<b>58,877</b>

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

## 7 Net assets attributable to unitholders

Under *AASB 132 Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the Attribution Managed Investment Trust 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 year were as follows:

	Year ended			
	30 June 2021 No. '000	30 June 2021 \$'000	30 June 2020 No. '000	30 June 2020 \$'000
	Opening balance	18,604	60,357	22,253
Applications	2,546	10,319	2,226	7,810
Redemptions	(2,722)	(10,995)	(6,039)	(21,816)
Reinvestment of distributions	86	280	164	588
Distributions paid and payable	-	(2,595)	-	(1,771)
Profit/(loss) for the year	-	27,810	-	(1,050)
<b>Closing balance</b>	<b>18,514</b>	<b>85,176</b>	18,604	60,357

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 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 any redemption of units if the exercise of such discretion is in the best interests of unitholders.

## 8 Distributions to unitholders

Distributions are payable at the end of each semi-annual financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the year were as follows:

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU*	30 June 2020 \$'000	30 June 2020 CPU*
Distributions paid				
December	-	-	842	4.5177
June (payable)	<b>2,595</b>	<b>14.0179</b>	929	4.9951
<b>Total distributions</b>	<b>2,595</b>	<b>14.0179</b>	1,771	9.5128

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

## 9 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash	<b>3,148</b>	2,436
<b>Total cash and cash equivalents</b>	<b>3,148</b>	2,436

## 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 2021 \$'000	30 June 2020 \$'000
Profit/(loss) for the year	<b>27,810</b>	(1,050)
Proceeds from sale of financial instruments at fair value through profit or loss	<b>31,802</b>	59,079
Payments for purchase of financial instruments at fair value through profit or loss	<b>(30,117)</b>	(44,323)
Net (gains)/losses on financial instruments at fair value through profit or loss	<b>(27,912)</b>	2,359
Dividend income reinvested	<b>(19)</b>	(58)
Net change in receivables	<b>27</b>	(51)
Net change in payables	<b>405</b>	(19)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,996</b>	15,937

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

### (b) Non-cash financing activities

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
During the year, the following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	280	588
<b>Total non-cash financing activities</b>	<b>280</b>	<b>588</b>

## 11 Remuneration of auditors

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

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>Ernst &amp; Young</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	23,175	22,500
Total remuneration for audit and other assurance services	23,175	22,500
<b>Taxation services</b>		
Taxation services	12,100	12,000
Total remuneration for taxation services	12,100	12,000
<b>Total remuneration of Ernst &amp; Young</b>	<b>35,275</b>	<b>34,500</b>
<b>PricewaterhouseCoopers</b>		
<b>Audit and other assurance services</b>		
Audit of compliance plan	2,475	2,475
Total remuneration for audit and other assurance services	2,475	2,475
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,475</b>	<b>2,475</b>

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



## **12 Related party transactions**

For the purposes of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

### **Responsible Entity**

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

### **Key management personnel**

#### **(a) Directors**

Key management personnel include persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Glenn Foster (resigned as Director on 23 October 2020) (appointed as a Non-executive Director on 1 February 2021)  
Richard McCarthy  
Simone Mosse  
Vicki Riggio  
Phillip Blackmore (Alternate Director for Vicki Riggio)

#### **(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.

### **Key management personnel unitholdings**

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

### **Key management personnel compensation**

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related entity of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### **Key management personnel loan disclosures**

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 year (2020: nil).

### **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 Director's interests existing at year end.

## 12 Related party transactions (continued)

### Responsible Entity's/Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee per annum calculated as a percentage of the gross asset value of the Fund. The Investment manager of the Fund is Celeste Funds Management Limited. Under the terms of the Fund's Constitution and Product Disclosure Statement of the Fund, the Investment Manager is entitled to receive management fees. The management fee was set at 1.20% p.a. (inclusive of GST and net of RITC) until 5 December 2019. From 6 December 2019, the management fee is capped at 1.10% per annum of the net asset value of the Fund, accruing daily and payable in arrears. Where actual expenses result in the management costs exceeding 1.10% of the net asset value of the Fund for the year, such expenses will be paid out of the assets of the Fund and the difference reimbursed back to the Fund by the Investment Manager. The costs are inclusive of GST and net of any applicable input tax credits and reduced input tax credit.

The Investment Manager is also entitled to a performance fee in certain circumstances. The performance fee is set at 20% (inclusive of GST and net of RITC) of the return of the Fund (net of management fees) that exceeds the return on the Fund's benchmark, S&P/ASX Small Ordinaries Accumulation Index.

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year paid and payable by the Fund to the Investment Manager	<b>831,388</b>	784,061
Performance fees for the year paid by the Fund to the Investment Manager	<b>812,649</b>	-
Aggregate amounts payable to the Investment Manager at reporting date	<b>469,459</b>	64,334
Aggregate amounts receivable from the Investment Manager at reporting date	<b>11,263</b>	4,068

### 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 2021 (2020: nil).

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

#### As at 30 June 2021

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	72,757	73,877	338,865	0.40	1,120	-	10,356
Scotia Brae Pty Ltd ATF Scotia Superannuation Fund	7,120	7,120	32,659	0.04	-	-	998
Martin John Byers	270	2,561	11,747	-	2,291	-	359

## 12 Related party transactions (continued)

### Related party unitholdings (continued)

As at 30 June 2020

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	71,082	72,757	235,339	0.39	1,675	-	6,882
Scotia Brae Pty Ltd ATF Scotia Superannuation Fund	7,120	7,120	23,030	0.04	-	-	677
Martin John Byers	-	270	873	-	270	-	26

### Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Celeste Funds Management Limited during the year (2020: nil).

## 13 Significant events during the year

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

There were no other significant events during the year.

## 14 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report 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.

## 15 Contingent assets and liabilities and commitments

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

**Directors' declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and Notes set out on pages 6 to 26 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 2021 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  
21 September 2021



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## **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 2021, 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 Celeste Australian Small Companies Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors of the Responsible Entity 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.



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

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

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- Conclude on the appropriateness of the 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.



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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

*Ernst & Young*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
21 September 2021