

Lakehouse Small Companies Fund

ARSN 615 265 864

Interim report for the financial period 7 October 2016 to 31 December 2016

Index to the Financial Statements

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Directors' Declaration	5
Independent Auditor's Report	6
Condensed Statement of Comprehensive Income from 7 October 2016 to 31 December 2016	8
Condensed Statement of Financial Position as at 31 December 2016	9
Condensed Statement of Changes in Equity for the financial period 7 October 2016 to 31 December 2016	10
Condensed Statement of Cash Flows for the period 7 October 2016 to 31 December 2016	11
Notes to the Financial Statements	
1. General Information	12
2. Basis of Preparation	12
3. Fair Value Measurement	12
4. Net gains/(losses) on financial instruments held at fair value through profit or loss	13
5. Net Assets Attributable to Unitholders	14
6. Distributions to Unitholders	14
7. Other Assets	14
8. Related Party Transactions	15
9. Commitments and Contingencies	16
10. Subsequent Events	16

Directors' Report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Lakehouse Small Companies Fund (the "Fund"), submit their report together with the financial statements for the Fund for the period 7 October 2016 to 31 December 2016.

Responsible Entity

The responsible entity of the Fund is OMIFL.

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

Investment manager

The investment manager of the Fund is Lakehouse Capital Pty Ltd (ACN 614 957 603) ("investment manager").

The principal place of business of the investment manager is Level 14, 5 Martin Place, Sydney NSW 2000.

Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity, during the financial period and up to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Principal Activities

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted on 7 October 2016, registered as a managed investment scheme on 24 October 2016 and commenced operations on 15 November 2016.

The principal activity of the Fund during the period was to invest in accordance with the provisions of the Fund's Constitution and its most recent Product Disclosure Statement, dated 15 November 2016.

The Fund's investment objective is to outperform the S&P/ ASX Small Ordinaries Accumulation Index (Benchmark) over rolling five year periods (after fees and expenses but before taxes) by investing in a high conviction portfolio of 15 to 30 small companies listed in Australia and New Zealand.

The Fund did not have any employees during the period.

Review of Operations

Results

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The net loss attributable to unitholders for the financial period 7 October 2016 to 31 December 2016 was \$990,249.

Distributions

The Fund paid \$nil distribution to unitholders during the financial period 31 December 2016.

Directors' Report (continued)

Value of Assets and Units Issued

The following units of the Fund were on issue at financial period end:

	Period from 7 October 2016 to 31 December 2016	
	No. of Units	Fair value (\$)
	88,918,283	87,986,949
Total units	88,918,283	87,986,949

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the financial period and as at 31 December 2016.

Significant Changes in State of Affairs

There are no significant changes in the state of affairs of the Fund.

Subsequent Events

There has been no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely Developments and Expected Results of Operations

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 15 November 2016.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of Directors, Officers and Auditors

During the financial period, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Fund has not directly indemnified or insured directors or officers. The Responsible Entity has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability.

Auditor

Crowe Horwarth Sydney was appointed as auditor of the Fund and continues in that office in accordance with Section 327 of the Corporations Act 2001.

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

A handwritten signature in black ink, appearing to read "Frank Tearle". The signature is written in a cursive, slightly slanted style.

Frank Tearle

Director

13 March 2017



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13 March 2017

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Lakehouse Small Companies Fund
Level 11
20 Hunter Street
SYDNEY NSW 2000

Dear Directors

Lakehouse Small Companies Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the review of the interim financial report of Lakehouse Small Companies Fund for the period 7 October 2016 to 31 December 2016, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Crowe Horwath Sydney

John Haydon
Senior Partner

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
- compliance with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - giving a true and fair view of the Fund's financial position as at 31 December 2016 and its performance for the financial period 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.

Signed in accordance with a resolution of the directors of the Responsible Entity.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
13 March 2017

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Lakehouse Small Companies Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the period from 7 October 2016 to 31 December 2016, selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2016 and its performance for the period 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 an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lakehouse Small Companies Fund is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the period from 7 October 2016 to 31 December 2016; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Crowe Horwath Sydney

Crowe Horwath Sydney

John Haydon

John Haydon
Senior Partner

Dated this 13th day of March 2017

Condensed Statement of Comprehensive Income from 7 October 2016 to 31 December 2016

	Note	Period from 7 October 2016 to 31 December 2016 \$
Income		
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	(1,013,309)
Interest Income		77,595
Dividend Income		48,891
Total loss		(886,823)
Expenses		
Management fees		103,028
Other expenses		398
Total expenses		103,426
Operating loss attributable to unitholders		(990,249)
Finance costs attributable to unitholders		
Distributions to unitholders		-
(Increase)/decrease in net assets attributable to unitholders	5	990,249
Profit/(loss) for the period		-
Other comprehensive income		-
Total comprehensive income for the period		-

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

Condensed Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 \$
Assets		
Cash and cash equivalents		42,085,200
Other assets	7	15,406
Financial assets held at fair value through profit or loss	3	45,996,909
Total assets		<u>88,097,515</u>
Liabilities		
Management fees payable		110,566
Total liabilities (excluding net assets attributable to unitholders)		<u>110,566</u>
Net assets attributable to unitholders - liability	5	<u>87,986,949</u>

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

Condensed Statement of Changes in Equity for the financial period 7 October 2016 to 31 December 2016

	Period from 7 October 2016 to 31 December 2016 \$
Total equity at the beginning of the period	-
Profit /(loss) for the period	-
Other comprehensive income	-
Total comprehensive income	-
Transactions with owners in their capacity as equity holders	-
Total equity at the end of the financial period	-

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

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

Condensed Statement of Cash Flows for the period 7 October 2016 to 31 December 2016

	Period from 7 October 2016 to 31 December 2016 \$
	Note
Cash flows from operating activities	
Net (payments)/receipts from purchase and sale of financial instruments held at fair value through profit or loss	(47,018,086)
Interest received	77,595
Brokers fees paid	(398)
Dividend Income	48,891
Net cash used in operating activities	<u>(46,891,998)</u>
Cash flows from financing activities	
Proceeds from unitholder applications	5 89,103,675
Payments for unitholder redemptions	5 (126,477)
Net cash provided by financing activities	<u>88,977,198</u>
Net (decrease) / increase in cash and cash equivalents	42,085,200
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>42,085,200</u>
Non-cash financing activities	<u>-</u>

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

Notes to the Financial Statements

1. General Information

These interim financial statements cover Lakehouse Small Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, and was constituted on 7 October 2016, registered as a managed investment scheme on 24 October 2016 and commenced operations on 15 November 2016. These financial statements cover the period from 7 October 2016 to 31 December 2016. There are no comparatives.

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street Sydney NSW 2000.

The Fund typically invests in a high conviction portfolio of 15 to 30 small companies listed in Australia and New Zealand.

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

2. Basis of Preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements are presented in Australian dollars.

Significant accounting policies

This is the first financial statement published on behalf of the Fund. The Fund has applied all new accounting policies in these interim financial statements.

3. Fair Value Measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Fund has no assets and liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

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

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Notes to the Financial Statements

3. Fair Value Measurement (continued)

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at 31 December 2016 recorded at fair value and presented by level of the fair value hierarchy:

	31 December 2016			Total \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets				
Investments in equity securities	45,996,909	-	-	45,996,909
Total financial assets held at fair value through profit or loss	45,996,909	-	-	45,996,909

Transfer between levels

There have been no transfers between levels for the period ended 31 December 2016.

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

	Period from 7 October 2016 to 31 December 2016 \$
Unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	(1,013,309)
Realised gains/(losses) on financial instruments designated at fair value through profit or loss	-
Net gains/(losses) on financial instruments designated at fair value through profit or loss	(1,013,309)

Notes to the Financial Statements

5. Net Assets Attributable to Unitholders

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

	Period from 7 October 2016 to 31 December 2016	
	No. of Units	\$
Opening balance	-	-
Applications for units by unitholders	89,046,283	89,103,675
Redemption for units by unitholders	(128,000)	(126,477)
Increase in net assets attributable to unitholders	-	(990,249)
Closing balance	88,918,283	87,986,949

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

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

6. Distributions to Unitholders

The Fund expects to make distributions on a semi-annual basis. Subject to the Constitution, distributions (if any) will generally be paid within 14 Business Days of 31 December and within three months of 30 June. Distributions are expected but not guaranteed.

At 31 December 2016, the Fund made \$nil distribution to unitholders.

7. Other Assets

	31 December 2016 \$
GST receivable	15,406
Total other assets	15,406

Notes to the Financial Statements

8. Related Party Transactions

The responsible entity of the Fund is OMIFL.

a) Management fees paid and payable to the investment manager

Management fees are the fees charged by the investment manager to provide investment management services to the Fund.

The investment manager charges 1.3% per annum (inclusive of GST and less any reduced input tax credits) of the gross value of the Fund's assets. As at 31 December 2016, the management fees expenses incurred by the Fund are \$103,028.

b) Performance fees paid and payable to the investment manager

Performance fees are fees payable to the investment manager when the Fund's return exceeds the benchmark and high watermark.

The investment manager charges 15% of the amount by which the Fund's returns (after fees and expenses but before taxes) exceed the higher of the benchmark and high watermark (inclusive of GST and less any reduced input tax credits). As at 31 December 2016, the performance fee incurred by the Fund is \$nil.

(i) Other fees paid to related parties

The Responsible Entity has appointed third party service providers to the Fund, some of whom are related parties of the Responsible Entity. The following entities, which are related parties of the Responsible Entity, have provided services to the Fund during the financial period ended 31 December 2016:

- One Registry Services Pty Limited (ACN 141 757 360) – unit registry services

OMIFL also acts as custodian for the Fund and receives a fee for doing so.

None of the above has received any remuneration directly from the Fund in relation to these services and is remunerated out of the Management Fee (\$103,028 for the period ended 31 December 2016). To the extent there is a short fall to these expenses, they will be paid by the investment manager.

c) Key management personnel

(i) Directors

The key management personnel of the Responsible Entity, during the period and up to the date of this report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the period and as at 31 December 2016.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel at any time during the period.

Notes to the Financial Statements

8. Related Party Transactions (continued)

c) Key management personnel (continued)

Key Management Compensation

Key management personnel of the Responsible Entity have not been compensated out of the Fund for the period ended 31 December 2016.

(ii) Other Key Management Personnel

The key management personnel of the investment manager at any time during the financial period are:

Name	Title
Joe Magyer	Chief Investment Officer
Donny Buchanan	Senior analyst

(iii) Other Key Management Personnel Unitholdings

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment (\$)	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Donny Buchanan	-	248,188	245,582	0.28%	248,188	-	-
Total	-	248,188	245,582	0.28%	248,188	-	-

Except as disclosed above, no key management personnel have entered into any other transactions with the Fund during the financial period and there were no material balances involving key management personnel's interests outstanding at the end of the financial period.

Other Key Management Compensation

Key management personnel of the investment manager have not been compensated out of the Fund for the period ended 31 December 2016.

9. Commitments and Contingencies

There are no commitments or contingencies as at 31 December 2016.

10. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.