

# **LAKEHOUSE SMALL COMPANIES FUND**

ARSN 615 265 864

## **CONDENSED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

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This condensed financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed financial report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Lakehouse Small Companies Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This condensed financial report covers Lakehouse Small Companies Fund as an individual entity.

The Responsible Entity of Lakehouse Small Companies Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:  
Level 1, 575 Bourke Street,  
Melbourne, VIC 3000.

## **DIRECTORS' REPORT**

The directors of Equity Trustees Limited, the Responsible Entity of Lakehouse Small Companies Fund (the "Fund"), present their report together with the condensed financial statements of the Fund for the half-year ended 31 December 2022. These condensed financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

### **Principal activities**

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 in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the half-year ended 31 December 2022.

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2022.

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Lakehouse Capital Pty Ltd
Custodian and Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)*
Statutory Auditor	Ernst & Young

\* Effective on 21 October 2022, Mainstream Fund Services Pty changed its name to Apex Fund Services Pty Ltd.

### **Directors**

The following persons held office as directors of Equity Trustees Limited during or since the end of the half-year and up to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	

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

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

The Fund's performance was 13.04% (net of fees) for the half-year ended 31 December 2022. The Fund's benchmark, the S&P/ASX Small Ordinaries Accumulation Index, returned 7.03% for the same period.

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

	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
Profit/(loss) for the half-year (\$'000)	<b>25,282</b>	(5,607)

There were no distributions declared during the half-year ended 31 December 2022 and 31 December 2021.

### **Significant changes in the 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 ended 31 December 2022.

## **DIRECTORS' REPORT (CONTINUED)**

### **Matters subsequent to the end of the period**

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may have a significant effect on:

- 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.

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

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### **Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
6 March 2023



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## **Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Lakehouse Small Companies Fund**

As lead auditor for the review of the half-year financial report of Lakehouse Small Companies Fund for the half-year ended 31 December 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

*Ernst & Young*  
Ernst & Young

*Luke Slater*  
Luke Slater  
Partner  
6 March 2023

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
<b>Investment income</b>			
Interest income from financial instruments at amortised cost		51	-
Dividend income		924	1,247
Net gains/(losses) on financial instruments at fair value through profit or loss		25,817	(4,049)
Other income		3	4
<b>Total investment income/(loss)</b>		<b>26,795</b>	<b>(2,798)</b>
<b>Expenses</b>			
Management fees and costs		1,450	2,809
Transaction costs		62	-
Other expenses		1	-
<b>Total expenses</b>		<b>1,513</b>	<b>2,809</b>
<b>Profit/(loss) for the half-year</b>		<b>25,282</b>	<b>(5,607)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the half-year</b>		<b>25,282</b>	<b>(5,607)</b>

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at	
		31 December 2022 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents		26,650	14,848
Receivables	7	79	66
Financial assets at fair value through profit or loss	4	184,109	183,207
<b>Total assets</b>		<b>210,838</b>	<b>198,121</b>
<b>Liabilities</b>			
Distributions payable		-	19,919
Payables	8	220	216
<b>Total liabilities</b>		<b>220</b>	<b>20,135</b>
<b>Net assets attributable to unit holders – equity</b>	<b>5</b>	<b>210,618</b>	<b>177,986</b>

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

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Note	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>177,986</b>	403,617
<b>Comprehensive income for the half-year</b>			
Profit/(loss) for the half-year		25,282	(5,607)
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>25,282</b>	<b>(5,607)</b>
<b>Transactions with unit holders</b>			
Applications	5	2,097	20,149
Redemptions	5	(9,079)	(30,396)
Reinvestment of distributions	5	14,332	21,469
<b>Total transactions with unit holders</b>		<b>7,350</b>	<b>11,222</b>
<b>Total equity at the end of the half-year</b>		<b>210,618</b>	<b>409,232</b>

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



## CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	40,121	81,177
Payments for purchase of financial instruments at fair value through profit or loss	(15,206)	(91,305)
Interest income received from financial instruments at amortised cost	25	-
Dividends received	924	1,247
Other income received	16	246
Management fees and costs	(1,446)	(2,846)
Performance fees paid	-	(3,173)
Transaction costs paid	(62)	-
Other expenses paid	(1)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>24,371</b>	<b>(14,654)</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	2,097	20,149
Payments for redemptions by unit holders	(9,079)	(30,562)
Distributions paid to unit holders	(5,587)	(7,855)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(12,569)</b>	<b>(18,268)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,802</b>	<b>(32,922)</b>
Cash and cash equivalents at the beginning of the half-year	14,848	62,460
<b>Cash and cash equivalents at the end of the half-year</b>	<b>26,650</b>	<b>29,538</b>
<b>Non-cash operating and financing activities</b>		
Issue of units under the distribution reinvestment plan	14,332	21,469

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

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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## 1 GENERAL INFORMATION

These condensed financial statements cover Lakehouse Small Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 7 October 2016 and will terminate in accordance with the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. These condensed financial statements are presented in the Australian currency unless otherwise noted.

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

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 in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The condensed 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 condensed financial statements.

## 2 BASIS OF PREPARATION

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

These condensed financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2022 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 directors are satisfied that the Fund has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

### Significant accounting policies

The accounting policies applied in these condensed financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2022.

#### i. *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 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### ii. *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been early adopted in preparing these condensed financial statements.

None of these are expected to have a material effect on the condensed financial statements of the Fund.

## 3 FAIR VALUE MEASUREMENT

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets at fair value through profit or loss (see Note 4)

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

### 3 FAIR VALUE MEASUREMENT (CONTINUED)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

#### a. Fair value in an active market (level 1)

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

The quoted market price used for financial assets held by the Fund is the current last price; the quoted market price for financial liabilities is the current asking 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.

#### b. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2022 and 30 June 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 31 December 2022</b>				
<b>Financial assets</b>				
Listed equity securities	184,109	-	-	184,109
<b>Total financial assets</b>	<b>184,109</b>	<b>-</b>	<b>-</b>	<b>184,109</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Listed equity securities	183,207	-	-	183,207
<b>Total financial assets</b>	<b>183,207</b>	<b>-</b>	<b>-</b>	<b>183,207</b>

#### c. Transfer between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period (30 June 2022: nil).

#### d. Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Listed equity securities	184,109	183,207
<b>Total financial assets at fair value through profit or loss</b>	<b>184,109</b>	<b>183,207</b>

## 5 NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - EQUITY

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 shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they meet the definition of a financial liability to be classified as equity.

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

	Half-year ended		Half-year ended	
	31 December 2022 Units '000	31 December 2022 \$'000	31 December 2021 Units '000	31 December 2021 \$'000
Opening balance	169,537	177,986	185,064	403,617
Applications	1,721	2,097	9,090	20,149
Redemptions	(7,442)	(9,079)	(13,940)	(30,396)
Reinvestment of distributions	13,652	14,332	9,844	21,469
Profit/(loss) for the half-year	-	25,282	-	(5,607)
<b>Closing balance</b>	<b>177,468</b>	<b>210,618</b>	<b>190,058</b>	<b>409,232</b>

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 UNIT HOLDERS

There were no distributions declared during the half-year ended 31 December 2022 and 31 December 2021.

## 7 RECEIVABLES

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
GST receivable	53	66
Interest receivable	26	-
<b>Total receivables</b>	<b>79</b>	<b>66</b>

## 8 PAYABLES

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Management fees and costs payable	220	216
<b>Total payables</b>	<b>220</b>	<b>216</b>

## 9 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2022 or on the results and cash flows of the Fund for the half-year ended on that date.

## 10 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

## DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The condensed financial statements and notes set out on pages 5 to 12 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 2022 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 Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
6 March 2023



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## **Independent Auditor's Review Report to the Unit Holders of Lakehouse Small Companies Fund**

### **Conclusion**

We have reviewed the accompanying half-year financial report of Lakehouse Small Companies Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at 31 December 2022 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*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' responsibilities for the half-year financial report**

The directors of the Equity Trustees Limited (the Responsible Entity) 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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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.

*Ernst & Young*  
Ernst & Young

*Luke Slater*  
Luke Slater  
Partner  
Melbourne  
6 March 2023