L1 CAPITAL

27 August 2020

The Manager
Market Announcements Office
ASX Limited
Level 6, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

RESULTS FOR YEAR ENDED 30 JUNE 2020

L1 Long Short Fund Limited (ASX: LSF) hereby lodges:

i) Appendix 4E Statement for the year ended 30 June 2020; and

ii) Audited Financial Report for the year ended 30 June 2020.

For any further enquiries please contact Link Market Services on 1300 554 474 or L1 Long Short Fund Limited on 03 9286 7000.

Yours sincerely

Mark Licciardo
Company Secretary

L1 Long Short Fund Limited ACN 623 418 539
Level 28, 101 Collins Street, Melbourne, Victoria 3000
Tel (03) 9286 7000 Fax (03) 9286 7099
www.L1longshort.com

L1 CAPITAL

Appendix 4E

The Appendix 4E is for the reporting period from 1 July 2019 to 30 June 2020. The previous corresponding period end was 1 July 2018 to 30 June 2019.

This report is based on the 2020 Audited Financial Report and contains the information required by Listing Rule 4.3A.

Results for announcement to the market

	2020 $'000	2019 $'000	Up/down	Movement %
Income/(loss) from ordinary activities	42,996	(5,373)	Up	900
Loss before income tax attributable to the ordinary equity holders	(34,850)	(75,789)	Up	54
Loss after income tax attributable to the ordinary equity holders	(21,650)	(49,402)	Up	56

Dividends

There were no dividends paid or proposed to be paid during the year.

Net tangible assets

	30 June 2020 $	30 June 2019 $
Net tangible asset backing (per share) before tax	1.6313	1.6771
Net tangible asset backing (per share) after tax	1.7552	1.7724

Earnings per share

	30 June 2020 (cents)	30 June 2019 (cents)
Basic losses per share attributable to the ordinary equity holders	3.27	7.43
Diluted losses per share attributable to the ordinary equity holders	3.27	7.43

Explanation of results

For the period from 1 July 2019 to 30 June 2020, the Company recorded a loss before tax of $34.85 million and a net loss after tax of $21.65 million. The net tangible asset (NTA) backing per share based on a market valuation of investments before all taxes was $1.6313 as at 30 June 2020, a decline of 2.7% compared with $1.6771 as at 30 June 2019. The NTA post-tax was $1.7552 as at 30 June 2020, a decline of 1.0% compared with $1.7724 as at 30 June 2019. The NTA post-tax is calculated after tax of realised and unrealised gains/losses, deferred tax assets and deferred tax liabilities.

The Company entered 2020 with a portfolio skewed more so to cyclical stocks that would perform well assuming a stable or improving global growth backdrop. The trade war and Brexit had de-escalated and business confidence was improving. Between September to December 2019, all the key indicators for global growth were trending up as bond yields were rising, copper and oil prices were rising, manufacturing activity levels and new orders were rising and global inventories were low and needed to be re-stocked. Unfortunately, the portfolio was poorly positioned for the COVID-19 outbreak, which disproportionately hit economically sensitive stocks. The other unexpected negative effect on the portfolio was the collapse of OPEC+ in March that resulted in Russia not committing to production cuts and Saudi Arabia then electing to increase production by 8% to 13m barrels/day at a time of severe oil demand weakness.

The Company aggressively bought stocks in mid-March, increasing our net long to 100%. The outlook for equities was considered attractive for several reasons (1) valuations were the most attractive since the depths of the GFC; (2) investor positioning was extremely defensive, with high levels of short interest; (3) central banks and governments conducted massive stimulus and took measures to fix the dysfunctional credit markets; (4) COVID-19 case numbers were likely to begin falling due to shutdowns, and (5) 'non-fundamental' selling of stocks was extreme (margin calls, redemptions, ETF outflows, quantitative/systematic selling, retail investor panic). The outlook for the portfolio remains attractive even allowing for a weak economic backdrop given the bias to companies with strong free cash flow generation, attractive industry structures and under-geared balance sheets.

Annual General Meeting

L1 Long Short Fund Limited advises that its Annual General Meeting will be held on Thursday 19 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after dispatch. In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5:00pm (AEDT) Tuesday 22 September 2020.

L1 Long Short Fund Limited

ABN 47 623 418 539

Financial Report

For the year ended 30 June 2020

Directors	Andrew Larke (Independent Chairman) John Macfarlane (Independent Director) Harry Kingsley (Independent Director) Raphael Lamm (Non Independent Director) Mark Landau (Non Independent Director)
Company secretary	Mark Licciardo
Registered office	Mertons Corporate Services Level 7, 330 Collins Street Melbourne VIC 3000 Phone: (03) 8689 9997
Investment manager	L1 Capital Pty Limited Level 28, 101 Collins Street Melbourne VIC 3000 Phone: (03) 9286 7000
Administrator	Mainstream Fund Services Pty Ltd Level 1, 51-57 Pitt Street Sydney NSW 2000 Phone: (02) 8259 8508
Share registrar	Link Market Services Limited Tower 4, 727 Collins Street Melbourne VIC 3008 Phone: 1800 129 431 For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.
Auditors	Ernst & Young 200 George Street Sydney NSW 2000 Phone: (02) 9248 5555
Securities exchange listing	Australian Securities Exchange (ASX) The home exchange is Melbourne ASX code: LSF Ordinary shares
Website	www.L1LongShort.com

L1 Long Short Fund Limited ABN 47 623 418 539
Financial Report - For the year ended 30 June 2020

Contents

Directors' Report

The Directors present their report together with the financial statements of L1 Long Short Fund Limited (the "Company") for the year ended 30 June 2020.

Directors

The following persons held office as Directors during the year and up to the date of this report:

Andrew Larke	(Independent Chairman)
Raphael Lamm	(Non Independent Director)
Mark Landau	(Non Independent Director)
John Macfarlane	(Independent Director)
Harry Kingsley	(Independent Director)

Principal activities

During the year, the principal activity of the Company was to invest (both long and short) in predominantly Australian securities with the remaining exposure to global securities. The Company's investment objective is to deliver positive absolute returns to investors while seeking to preserve capital over the long term.

There was no significant changes in the nature of the activity of the Company during the year.

Dividends

There were no dividends paid or proposed to be paid during the year.

Review of operations

The operating loss before tax was $34,850,000 for the year ended 30 June 2020 (2019: loss $75,789,000). The net result after tax was a loss of $21,650,000 (2019: loss $49,402,000).

The net tangible asset backing before tax as at 30 June 2020 was $1.6313 per share (2019: $1.6771).

On 27 February 2020, the Company announced a new on-market buy-back of up to 10% of its shares, commencing 16 March 2020 and continuing for up to 12 months. Since 19 March 2020 a total of 15,775,000 shares (2.37%) had been bought back up to 30 June 2020. Please refer to Note 16 Issued Capital for further details.

Financial position

The net asset value of the Company for the financial year ended 30 June 2020 was $1,140,530,000 (2019: $1,179,497,000).

Significant changes in the state of affairs

During the year, the Company changed its Administrator from Link Funds Services Pty Ltd to Mainstream Fund Services Pty Ltd as at 1 February 2020.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the year ended 30 June 2020.

Matters subsequent to the end of the financial year

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of the Governments in dealing with the pandemic has seen a corresponding significant increase in financial market volatility and corresponding fluctuations in the fair value of the Company's investment portfolio.

The Company continues to determine net asset values daily, consistently applying valuation policies reflective of prevailing market conditions. As the market conditions remain extremely volatile, management does not consider it meaningful to quantify the impact of this outbreak on the Company.

The Company has continued to recognise deferred tax assets of $92,722,000 at 30 June 2020 (2019: $69,914,000). Despite recent market volatility and uncertainty due to the COVID-19 outbreak, the Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is based on the long term performance of a materially similar long/short strategy managed by the Investment Manager since September 2014. Despite negative performance in the last 2 years, the materially similar long/short strategy managed by the Investment Manager has returned 15.74% p.a. since inception which is well above the ASX 200 index return of 5.18% p.a. for the same period. Management will continue to monitor market conditions closely and re-assess any impact on the recoverability of deferred tax assets as necessary.

Likely developments and expected results of operations (continued)

The Company will continue to pursue its investment objectives for the long term benefit of the members.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on Directors

Andrew Larke (Independent Chairman)

Experience and expertise

Andrew Larke has over 25 years' experience in mergers, acquisitions, capital markets and senior executive leadership positions.

He was formerly Global Head of Strategy, Planning and Mergers & Acquisitions at Orica Limited, where he was a member of the Group Executive for 9 years. Prior to this, he held senior corporate strategy, business and legal roles at North Ltd and he began his career as a corporate lawyer at Blake Dawson Waldron (now Ashurst).

Other current directorships

Andrew Larke's current directorships in other listed company include Diversified United Investment Limited.

Former directorships in last 3 years

Andrew Larke's former directorships in other listed companies include DuluxGroup Ltd.

Interests in shares and options

Details of Andrew Larke's interests in shares of the Company are included later in this report.

Interests in contracts

Andrew Larke has no interests in contracts of the Company.

John Macfarlane (Independent Director)

Experience and expertise

John Macfarlane is an experienced international banker. He served as CEO of Bankers Trust New Zealand (1998-1999), Chief Country Officer (Japan) and President of Deutsche Securities Japan (1999-2006), Executive Chairman of Deutsche Bank Australia and New Zealand (2007-2014) and Chairman and CEO of Deutsche Bank Australia (2011-2014).

During his 15 years at Deutsche Bank he was a member of the Global Markets, Global Banking and Global Regional Management Executive Committees and he also served as a Co-Chair of the Asia Pacific Executive Committee (2004-2006). He has also previously worked for the New Zealand Government Treasury, the Dept of Finance (PNG) and for Bankers Trust Company for 11 years in Australia, New Zealand and the USA.

Other current directorships

John Macfarlane's current directorships in other listed companies include ANZ Banking Group Limited.

Former directorships in last 3 years

John Macfarlane has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

Details of John Macfarlane's interests in shares of the Company are included later in this report.

Interests in contracts

John Macfarlane has no interests in contracts of the Company.

Information on Directors (continued)

Harry Kingsley (Independent Director)

Experience and expertise

Harry Kingsley is a partner at K&L Gates. He is a senior corporate and commercial lawyer specialising in strategic advice and negotiated transactions. He has extensive legal industry experience working in private practice and organisations in the transport and financial services industries as well as working as an investment banking professional. He is a trusted advisor to private and ASX listed corporations, their directors and management throughout Australasia.

He is highly regarded for his general commercial expertise as well as specialist knowledge around private equity, private and public M&A, IPOs and equity and debt capital markets.

He was formerly the Senior Legal Counsel, Asciano Limited and Chief Legal Counsel, Pacific National (2011 - 2015), Executive Director, Austock Group (2005 - 2011) and a senior associate at Minter Ellison (2001 - 2005).

Other current directorships

Harry Kingsley does not currently hold directorships in other listed companies.

Former directorships in last 3 years

Harry Kingsley has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

Details of Harry Kingsley's interests in shares of the Company are included later in this report.

Interests in contracts

Harry Kingsley has no interests in contracts of the Company.

Raphael Lamm (Non Independent Director)

Experience and expertise

Raphael Lamm is a co-founder of L1 Capital Pty Limited and has been the Joint Managing Director & Chief Investment Officer since the firm was founded in 2007. Since establishing L1 Capital Pty Limited, he has jointly headed up the L1 Capital Australian Equities Fund and L1 Capital Long Short Fund.

Prior to L1 Capital Pty Limited, he spent more than five years at Cooper Investors. During that period, he was a portfolio manager of the flagship Cooper Investors Australian Equities Fund.

He holds a double degree in Law and Commerce from Monash University, with Honours in Law and First Class Honours in Finance.

Other current directorships

Raphael Lamm does not currently hold directorships in other listed companies.

Former directorships in last 3 years

Raphael Lamm has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

Details of Raphael Lamm's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Raphael Lamm's interests in contracts of the Company are included later in this report.

Information on Directors (continued)

Mark Landau (Non Independent Director)

Experience and expertise

Mark Landau is a co-founder of L1 Capital Pty Limited and has been the Joint Managing Director & Chief Investment Officer since the firm was founded in 2007. Since establishing L1 Capital Pty Limited, he has jointly headed up the L1 Capital Australian Equities Fund and L1 Capital Long Short Fund.

Prior to establishing L1 Capital Pty Limited, he spent five years at Invesco as an Investment Analyst in the Large Cap Australian Equities team and later as an Investment Manager in the Smaller Companies Fund. Prior to Invesco, he was a Senior Strategy Consultant at Accenture, where he provided financial analysis and corporate strategy advice to a range of large Australian companies across many sectors, including banking, insurance, telecommunications and retail.

He holds a double degree in Commerce and Economics from Monash University, is an active CFA Charterholder and is a Senior Associate of FINSIA.

Other current directorships

Mark Landau does not currently hold directorships in other listed companies.

Former directorships in last 3 years

Mark Landau has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

Details of Mark Landau's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Mark Landau's interests in contracts of the Company are included later in this report.

Company Secretary

Mark Licciardo

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services Pty Ltd. His expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. He is also the former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

He holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2020 and up to the date of this audit report, and the numbers of meetings attended by each Director were:

	Directors' Meetings		**Meetings of committee Audit, Risk and Compliance**	
	A	**B**	**A**	**B**
Andrew Larke	7	7	3	3
Mark Landau	7	7	N/A	N/A
Raphael Lamm	7	7	N/A	N/A
John Macfarlane	7	7	3	3
Harry Kingsley	6	7	3	3

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Remuneration report (Audited)

This report details the nature and amount of remuneration for each Director of L1 Long Short Fund Limited in accordance with the *Corporations Act 2001* .

The Independent Directors are entitled to receive Directors' fees up to $400,000 per annum to be shared among the Directors. Additional remuneration may be paid in accordance with the Company's Constitution.

The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

Raphael Lamm and Mark Landau, being Non Independent Directors, are remunerated by the Investment Manager and will not receive Directors' fees from the Company.

Details of remuneration

The following tables show details of the remuneration paid by the Company to the Directors of the Company for the current financial year and previous period.

2020

Name	Short-term employee benefits Salary and fees $	Post-employment benefits Superannuation $	Total $
Independent Directors			
Andrew Larke	143,493	6,507	150,000
John Macfarlane	68,493	6,507	75,000
Harry Kingsley	68,493	6,507	75,000
Sub-total Independent Directors	**280,479**	**19,521**	**300,000**
Non Independent Directors			
Raphael Lamm*	-	-	-
Mark Landau*	-	-	-
Sub-total Non Independent Directors	**-**	**-**	**-**
Total key management personnel compensation	**280,479**	**19,521**	**300,000**

2019

Name	Short-term employee benefits Salary and fees $	Post-employment benefits Superannuation $	Total $
Independent Directors			
Andrew Larke	136,986	13,014	150,000
John Macfarlane	68,493	6,507	75,000
Harry Kingsley	68,493	6,507	75,000
Sub-total Independent Directors	**273,972**	**26,028**	**300,000**
Non Independent Directors			
Raphael Lamm*	-	-	-
Mark Landau*	-	-	-
Sub-total Non Independent Directors	**-**	**-**	**-**
Total key management personnel compensation	**273,972**	**26,028**	**300,000**

*Raphael Lamm and Mark Landau are directly paid by L1 Capital Pty Limited. Refer to section *Remuneration of Executives* .

Remuneration report (Audited) (continued)

Details of remuneration (continued)

Director Related Entity Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

L1 Capital Pty Limited is a Director related entity which operates a funds management business and has been appointed to manage the investment portfolio of L1 Long Short Fund Limited. In its capacity as Investment Manager, L1 Capital Pty Limited is entitled to be paid a management fee equal to 1.40% (plus GST) per annum (1.4350% inclusive of the net impact of GST and Reduced Input Tax Credit (RITC)) of the value of the portfolio calculated daily. Under the Investment Management Agreement, the Investment Manager will repay the Company all costs and expenses (Offer Costs) incurred in the establishment of the Company and in relation to or as a result of the Company undertaking its initial public offer of shares pursuant the Prospectus and listing on ASX. The Offer Costs will be repaid to the Company through an offset against management fees that would otherwise have been payable to the Investment Manager.

In 2018, the total Offer Costs paid by the Company amounted to $38,868,972. As at 30 June 2020, the balance of the Company's Receivable from Manager in relation to the Offer Costs amounted to $230,000 (2019: $17,113,000) presented as current assets in the Statement of Financial Position.

Management fees (inclusive of the net impact of GST and RITC) incurred during the year amounted to $15,640,000 (2019: $15,353,000) of which $1,337,000 (2019: 1,374,000) remained payable as at year end. Of the total management fee payable, $230,000 will be offset against the Receivable from Manager to repay the Company's Offer Costs.

In addition, L1 Capital Pty Limited is entitled to be paid by the Company a fee equal to 20% (plus GST) of the Portfolio's outperformance, if any, over each performance calculation period, subject to a high watermark mechanism. Further information in respect of the Company's performance fee calculation is contained in Section 9.1 of the Company's Prospectus which was issued on 16 February 2018.

There was no performance fee incurred or paid during the year (2019: nil).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Remuneration of Executives

There are no executives that are directly paid by the Company. L1 Capital Pty Limited, the Investment Manager of the Company, remunerated Raphael Lamm and Mark Landau as employees and/or as Directors of the Investment Manager during the financial year. The Investment Manager is appointed to provide day-to-day management of the Company and is remunerated as outlined above.

Equity Instrument Disclosures Relating to Directors

As at date of the report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2020

Director	**Position**	**Balance at date of the report**
Andrew Larke	Independent Chairman	775,000
John Macfarlane	Independent Director	500,000
Harry Kingsley	Independent Director	25,000
Raphael Lamm*	Non Independent Director	14,937,752
Mark Landau*	Non Independent Director	18,689,588
		34,927,340

2019

Andrew Larke	Independent Chairman	625,000
John Macfarlane	Independent Director	500,000
Harry Kingsley	Independent Director	25,000
Raphael Lamm*	Non Independent Director	6,568,655
Mark Landau*	Non Independent Director	9,942,215
		17,660,870

DIRECTORS' REPORT (CONTINUED)

Remuneration report (Audited) (continued)

Details of remuneration (continued)

* Raphael Lamm and Mark Landau have interest in the shares held by L1 Employees Remuneration Trust by virtue of s608(1) of the *Corporations Act 2001.*

Ordinary shares held by the following Directors are subject to voluntary escrow for a period which is the earlier of (a) the period of 10 years from the date that the Company is listed on the exchange or (b) the duration of the Investment Management Agreement.

• Raphael Lamm - 2,500,000 shares (2019: 2,500,000 shares)
• Mark Landau - 2,500,000 shares (2019: 2,500,000 shares)

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders.

Options Held

None of the Directors held options during the period up to the date of the report (2019: nil).

End of remuneration report

Insurance and indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001* . The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

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 8.

This report is made in accordance with a resolution of Directors.

DocuSigned by:
Andrew Larke
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Andrew Larke
Chairman

Melbourne
27 August 2020

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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ey.com/au

Auditor's Independence Declaration to the Directors of L1 Long Short Fund Limited

As lead auditor for the audit of L1 Long Short Fund Limited for the financial year ended 30 June 2020, 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
Sydney
27 August 2020

Statement of Comprehensive Income
For the year ended 30 June 2020

	Notes	Year Ended 30 June 2020 $'000	30 June 2019 $'000
Income			
Net gains/(losses) on financial instruments at fair value through profit or loss		**27,732**	(45,161)
Dividend income		**39,084**	42,724
Interest income from financial assets at amortised cost		**5,196**	12,579
Trust distributions		**1,567**	743
Expense reimbursement from Investment Manager	21	**763**	2,583
Net foreign exchange losses		**(31,346)**	(18,841)
Total income/(loss)		**42,996**	(5,373)
Expenses			
Management fees	21	**(15,640)**	(15,353)
Brokerage expense		**(14,077)**	(7,754)
Dividend expense		**(23,626)**	(19,812)
Interest expense		**(13,972)**	(12,416)
Stock loan fees		**(6,536)**	(8,709)
Administration fees		**(310)**	(215)
Share registry fees		**(146)**	(199)
Custody fees		**(26)**	(46)
Secretarial fees		**(60)**	(69)
Legal fees		**(91)**	(12)
Withholding tax on foreign dividends		**(2,139)**	(3,031)
Directors' fees	18	**(300)**	(300)
ASX fees		**(138)**	(1,089)
Audit fees	19	**(107)**	(87)
Other expenses		**(678)**	(1,324)
Total operating expenses		**(77,846)**	(70,416)
Loss before income tax		**(34,850)**	(75,789)
Income tax benefit	7	**13,200**	26,387
Loss after income tax		**(21,650)**	(49,402)
Other comprehensive income, net of tax		**-**	-
Total comprehensive loss		**(21,650)**	(49,402)
		Cents	Cents
Losses per share for loss attributable to the ordinary equity holders of the Company:			
Basic losses per share	24	**3.27**	7.43
Diluted losses per share	24	**3.27**	7.43

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	As at 30 June 2020 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**559,312**	1,089,205
Other receivables	9	**54,408**	22,287
Receivable from Manager	21	**269**	17,190
Financial assets at fair value through profit or loss	10	**1,815,188**	1,408,281
Other current assets		**344**	380
Total current assets		**2,429,521**	2,537,343
Non-current assets			
Deferred tax assets	12	**83,083**	69,882
Total non-current assets		**83,083**	69,882
Total assets		**2,512,604**	2,607,225
LIABILITIES			
Current liabilities			
Broker advances		**733,516**	657,070
Other payables	13	**22,150**	35,421
Financial liabilities at fair value through profit or loss	14	**616,408**	735,237
Total current liabilities		**1,372,074**	1,427,728
Total liabilities		**1,372,074**	1,427,728
Net assets		**1,140,530**	1,179,497
EQUITY			
Issued capital	16	**1,287,021**	1,304,338
Accumulated losses		**(146,491)**	(124,841)
Total equity		**1,140,530**	1,179,497

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

	Notes	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance as at 1 July 2018		**1,304,325**	**(75,439)**	**1,228,886**
Loss after income tax		-	(49,402)	(49,402)
Other comprehensive income		-	-	-
Total comprehensive loss		**-**	**(49,402)**	**(49,402)**
Transactions with owners in their capacity as owners:				
Capital raising costs*		19	-	19
Capital raising costs - tax effect*		(6)	-	(6)
		13	-	13
Balance as at 30 June 2019		**1,304,338**	**(124,841)**	**1,179,497**
Balance as at 1 July 2019		**1,304,338**	**(124,841)**	**1,179,497**
Loss after income tax		-	(21,650)	(21,650)
Other comprehensive income		-	-	-
Total comprehensive loss		**-**	**(21,650)**	**(21,650)**
Transactions with owners in their capacity as owners:				
Share buyback	16	(17,317)	-	(17,317)
		(17,317)	-	(17,317)
Balance as at 30 June 2020		**1,287,021**	**(146,491)**	**1,140,530**

*The movement in capital raising costs represents adjustment on the Reduced Input Tax Credit (RITC) associated to previously incurred capital raising costs.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	Year Ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Purchase of financial instruments at fair value through profit or loss		**(2,594,292)**	(878,108)
Proceeds from sale of financial instruments at fair value through profit or loss		**2,058,706**	788,983
Dividends received		**30,204**	42,050
Trust distribution received		**1,567**	743
Interest income received from financial assets at amortised cost		**6,051**	12,643
Expense reimbursement received		**801**	2,583
Brokerage expenses paid		**(14,077)**	(7,686)
Dividends paid on short positions		**(24,589)**	(21,931)
Stock loan fees paid		**(6,916)**	(9,894)
ASX fees paid		**(138)**	(1,089)
Net GST received		**64**	2,661
Interest paid		**(14,619)**	(12,201)
Other expenses paid		**(438)**	(4,644)
Net cash outflow from operating activities	23	**(557,676)**	(85,890)
Cash flows from financing activities			
Share buyback		**(17,317)**	-
Capital raising costs received		**-**	19
Broker advances received		**76,446**	82,948
Net cash inflow from financing activities		**59,129**	82,967
Net decrease in cash and cash equivalents		**(498,547)**	(2,923)
Cash and cash equivalents at the beginning of the year		**1,089,205**	1,110,969
Effects of exchange rate changes on cash and cash equivalents		**(31,346)**	(18,841)
Cash and cash equivalents at the end of the year	8	**559,312**	1,089,205

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

1. GENERAL INFORMATION

L1 Long Short Fund Limited (the "Company") is a listed public company domiciled in Australia. The Company's registered address is Mertons Corporate Services Level 7, 330 Collins Street, Melbourne VIC 3000.

The Company's investment strategy is to invest in a portfolio of predominantly Australian securities with the remaining exposure to global securities (both long and short). The Company's investment objectives are to deliver positive absolute returns to investors while seeking to preserve capital over the long term.

The Company was registered with the Australian Securities and Investments Commission (ASIC) on 14 December 2017, commenced operations on 19 April 2018 and was officially admitted to the Official List of the Australian Securities Exchange on 20 April 2018.

The financial statements were authorised for issue by the Board of Directors on 27 August 2020. The Directors have the power to amend and reissue the financial report.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(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 and the *Corporations Act 2001* . L1 Long Short Fund Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of L1 Long Short Fund Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

AASB Interpretation 23 Uncertainty over Income Tax Treatments

AASB Interpretation 23 Uncertainty over Income Tax Treatments clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, AASB Interpretation 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. AASB Interpretation 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
- judgements made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The adoption of above interpretation does not have a significant impact on the Company’s financial statements, as currently the Board of Directors has not identified material uncertain tax treatments.

(iii) Historical cost convention

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

(v) 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 July 2020, 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 Company.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Australian dollars, which is L1 Long Short Fund Limited's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in the Statement of Comprehensive Income.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Investment income

Profits and loses realised from the sale of investments and unrealised gains and losses on securities at fair value are included in the Statement of Comprehensive Income in the period they are incurred in accordance with the policies described in Note 2(j).

(ii) Interest income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

(iii) Dividend income

Dividend income from financial assets at fair value through profit or loss is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Company currently incurs withholding tax imposed by certain countries on dividend income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

(d) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(e) Income Tax

The income tax (expense)/benefit for the year comprises current income tax (expense)/benefit and deferred tax(expense)/benefit.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Current and deferred income tax (expense)/benefit is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax (continued)

Uncertain Taxes

AASB Interpretation 23, Uncertainty over Income Tax Treatments requires the evaluation of whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense, including interest and penalties, in the current year in the Statement of Comprehensive Income. The guidance establishes a minimum threshold for financial statement recognition of positions taken in filing tax returns, including whether an entity is taxable in a particular tax jurisdiction, and requires certain expanded tax dislosures.

(f) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Broker advances

Broker advances comprise cash paid by brokers on behalf of the Company under the facility in the prime brokerage agreement for the day-to-day settlement of Company's sales and purchases of financial instruments in foreign currencies.

(h) 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 are recognised initially at fair value and subsequently measured at amortised cost.

(i) Other receivables

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

(j) Financial assets and liabilities

Classification

(i) Financial assets

The Company classifies its financial assets in the following measurement categories:
- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

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

For equity securities and derivatives, 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.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

(ii) Financial liabilities

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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 (due to brokers, short dividends payable, management fees payable, interest payable and other payables).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and liabilities (continued)

Recognition and derecognition

Purchases and sales of financial assets and financial liabilities at fair value through profit or loss are recognised on trade date, the date on which the Company commits to purchase or sell the asset or liability. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

Measurement

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

Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of ‘financial assets or 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. Dividend earned or paid on these instruments are recorded separately in dividend income or expense.

Debt instruments, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Impairment

At each reporting date, the Company shall measure the loss allowance on financial assets at amortised cost (cash, due from broker, receivable from manager) at an amount equal to the lifetime expected credit losses (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 Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. The Company’s approach to ECL reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. However, where there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime expected credit loss. 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 credit risk may have significantly increased. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. Any contractual payment which is more than 90 days past due is considered credit impaired.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Refer to Note 11 to the financial statements for further information.

(l) Other payables

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

(m) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the *Corporations Act 2001* , the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191,* the amounts in the Directors' Report and in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise specified.

(r) Comparative revisions

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

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Directors believe that there is no significant concentration risk in any particular sector or industry.

(i) Price risk

Exposure

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through profit or loss.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Price risk (continued)

The Company and the Investment Manager seek to manage the risk that the Portfolio will decrease in value over each financial year.

The Investment Strategy, investment process, investment guidelines and risk measurement tools used by the Investment Manager are directed towards managing the risk that the Portfolio will fall in value whilst targeting an Absolute Return.

Industry/sector limitations will not be applied to the Company's Investment Strategy. This is because the Investment Manager believes that there is a wide variability in risk levels between sectors over time and also some correlation between sector based risks such that limits at a portfolio level are more appropriate to manage portfolio risk.

The portfolio is expected to be diversified across a broad range of sectors and industry groups, thereby reducing the risk that portfolio returns will be dependent on the performance of an individual security, sector or industry.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30%. The analysis is based on the assumption that the net investment portfolio had increased by 5% and 10% or decreased by 5% and 10% with all other variables held constant.

	Impact on post-tax loss	
	2020	2019
	$'000	$'000
Decrease 5%	**(41,957)**	(23,557)
Increase 5%	**41,957**	23,557
Decrease 10%	**(83,915)**	(47,113)
Increase 10%	**83,915**	47,113

Loss after tax for the year would increase/decrease as a result of (losses)/gains on equity securities classified as at fair value through profit or loss.

At balance date, the net position of financial assets and liabilities at fair value through profit or loss was $1,198,780,000 (2019: $673,044,000).

(ii) Interest rate risk

Exposure

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

At 30 June 2020	**Floating interest rate $'000**	**Fixed interest rate $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets				
Cash and cash equivalents	**559,312**	**-**	**-**	**559,312**
Other receivables	**-**	**-**	**54,408**	**54,408**
Other current assets	**-**	**-**	**344**	**344**
Financial assets at fair value through profit or loss	**-**	**-**	**1,815,188**	**1,815,188**
Receivable from Manager	**-**	**-**	**269**	**269**
	559,312	**-**	**1,870,209**	**2,429,521**
Financial liabilities				
Broker advances	**(733,516)**	**-**	**-**	**(733,516)**
Other payables	**-**	**-**	**(22,150)**	**(22,150)**
Financial liabilities at fair value through profit or loss	**-**	**-**	**(616,408)**	**(616,408)**
	(733,516)	**-**	**(638,558)**	**(1,372,074)**
Net exposure to interest rate risk	**(174,204)**	**-**	**1,231,651**	**1,057,447**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

At 30 June 2019	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	1,089,205	-	-	1,089,205
Other receivables	-	-	22,287	22,287
Other current assets	-	-	380	380
Financial assets at fair value through profit or loss	-	-	1,408,281	1,408,281
Receivable from Manager	-	-	17,190	17,190
	1,089,205	-	1,448,138	2,537,343
Financial liabilities				
Broker advances	(657,070)	-	-	(657,070)
Other payables	-	-	(35,421)	(35,421)
Financial liabilities at fair value through profit or loss	-	-	(735,237)	(735,237)
	(657,070)	-	(770,658)	(1,427,728)
Net exposure to interest rate risk	432,135	-	677,480	1,109,615

Sensitivity

At 30 June 2020, if interest rates had increased or decreased by 75 basis points ("bps") from the year end rates with all other variables held constant, loss after tax for the year would have been $915,000 higher/$915,000 lower (2019: $2,269,000 lower/$2,269,000 higher), mainly as a result of higher/lower interest income from cash and cash equivalents, net of broker advances.

(iii) Foreign exchange risk

Exposure

The Company operates internationally and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager monitors this risk on an on-going basis. The Investment Manager manages risk on an absolute return basis in the reporting currency (i.e. AU dollars), rather than the underlying currencies. Foreign exchange rate risk is managed by depositing surplus foreign currency in a foreign currency account for later use, or by borrowing foreign currency to pay for foreign currency purchases, and then using the foreign currency to repay the borrowing.

The following table summarises the fair value of the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

The Company's exposure to foreign currency risk at the end of the reporting period, monetary and non-monetary, expressed in Australian dollar, was as follows:

30 June 2020	**USD $'000**	**EUR $'000**	**HKD $'000**	**Others $'000**
Monetary				
Cash and cash equivalents	**32,242**	**-**	**-**	**1,108**
Other receivables	**5,766**	**3,638**	**692**	**9**
Broker advances	**(117,747)**	**(336,163)**	**(163,403)**	**(110,335)**
Other payables	**(3,146)**	**(5,769)**	**(1,129)**	**(283)**
Total Monetary	**(82,885)**	**(338,294)**	**(163,840)**	**(109,501)**
Non-monetary				
Financial assets at fair value through profit or loss	**259,885**	**274,869**	**124,000**	**34,141**
Financial liabilities at fair value through profit or loss	**(138,795)**	**-**	**-**	**(28,934)**
Total Non-monetary	**121,090**	**274,869**	**124,000**	**5,207**
Net exposure from derivative financial instruments	**-**	**-**	**-**	**-**
Net exposure	**38,205**	**(63,425)**	**(39,840)**	**(104,294)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

30 June 2019	USD $'000	EUR $'000	HKD $'000	Others $'000
Monetary				
Cash and cash equivalents	-	-	-	2,498
Other receivables	5,631	632	-	1,324
Broker advances	(196,948)	(98,511)	(188,055)	(157,250)
Other payables	(4,125)	(6)	(2,810)	(378)
Total Monetary	(195,442)	(97,885)	(190,865)	(153,806)
Non-monetary				
Financial assets at fair value through profit or loss	248,994	131,511	111,594	90,783
Financial liabilities at fair value through profit or loss	(30,977)	-	-	(48,157)
Total Non-monetary	218,017	131,511	111,594	42,626
Net exposure from derivative financial instruments	47,445	-	-	28,041
Net exposure	70,020	33,626	(79,271)	(83,139)

Sensitivity

The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the foreign currencies to which the Company's monetary securities are exposed. The impact on post-tax loss for the period would be as follows:

	Impact on post-tax loss	
	30 June 2020 $'000	30 June 2019 $'000
USD/AUD exchange rate - increase 10%	**(5,802)**	(13,681)
USD/AUD exchange rate - decrease 10%	**5,802**	13,681
EUR/AUD exchange rate - increase 10%	**(23,681)**	(6,852)
EUR/AUD exchange rate - decrease 10%	**23,681**	6,852
HKD/AUD exchange rate - increase 10%	**(11,469)**	(13,361)
HKD/AUD exchange rate - decrease 10%	**11,469**	13,361
Others/AUD exchange rate - increase 10%	**(7,665)**	(10,766)
Others/AUD exchange rate - decrease 10%	**7,665**	10,766

(b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Company gave to the counterparty. The collateral on securities sold short is set at 100% of the borrowed stock.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The Company is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

Financial assets subject to AASB 9's impairment requirements

The Company determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of BBB+ or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

In relation to receivable from manager, subject to the termination clause under the Investment Manager Agreement (IMA), the Investment Manager will be required to pay to the Company within 30 days of the termination all outstanding Offer Costs which have not at the date of the termination otherwise been recouped. The Company is exposed to risk that the Investment Manager will not meet its obligations under the IMA. The Company's maximum exposure is the carrying amount of receivable from manager disclosed in Statement of Financial Position. The Directors assess that the termination provisions in the IMA are highly unlikely to occur and the exposure to credit risk in relation to the receivable from manager as not significant through review of historical and projected financial condition of the Investment Manager. As required under AASB 9, the ECL model was used to assess any impairment of amounts receivable from manager. The 12 month ECL method was applied and the Directors have assessed any expected credit losses to be immaterial and therefore no impairment was required. The assessment was based on historical performance of the investment team, the Manager's current and forecasted financial position and evaluating a range of possible probability-weighted outcomes.

None of these assets are overdue, hence, these assets are not subject to material impairment.

The Company manages credit risk by only entering into agreements with credit worthy parties.

At 30 June 2020, the long term credit ratings of the Company's bank and prime brokers as per Standard and Poor's were as follows:

	2020	2019
National Australia Bank	AA-	AA-
Morgan Stanley & Co. International plc	BBB+	BBB+
Macquarie Bank Limited	A+	A+
Credit Suisse AG	A+	A+
L1 Capital Pty Ltd	N/A	N/A

The Company's cash at bank are held mainly with National Australia Bank. 67% of cash at broker are held with Morgan Stanley and the remaining 33% is with Credit Suisse (2019: 68% Morgan Stanley, 32% Credit Suisse). The Investment Manager monitors the financial position of the counterparties on a regular basis.

The credit risk factors relating to derivatives have been considered and credit valuation adjustments (CVA) for counterparty credit risk and debit valuation adjustments (DVA) for own credit risk have been assessed to the over-the-counter derivatives to be not significant in the current period.

Financial assets not subject to AASB 9's impairment requirements

The Company is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to AASB 9's impairment requirements as they are measured at fair value through profit or loss. The carrying value of these assets represents the Company's maximum exposure to credit risk on financial instruments not subject to the AASB 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager manages liquidity risk by monitoring the asset size of the Company as a whole on executing transactions.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. Accordingly, the Company is not considered to be exposed to material liquidity risk.

Maturities of financial liabilities

All non-derivative financial liabilities of the Company have maturities of less than 1 month.

Maturities of net settled derivative financial instruments

All net settled derivative financial instruments of the Company have maturities of 1 to 6 months.

4. FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Equity securities
- Derivatives
- Listed unit trusts

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

4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) is 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 Company is the last sale price. When the Company holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, including equity swaps, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

(iii) Recognised fair value measurements

The following table presents the Company’s assets and liabilities measured and recognised at fair value:

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value through profit or loss				
Swaps	**-**	**8,650**	**-**	**8,650**
Australian listed equity securities	**1,062,462**	**-**	**-**	**1,062,462**
International listed equity securities	**692,910**	**-**	**-**	**692,910**
Australian listed property trusts	**49,372**	**-**	**-**	**49,372**
Australian share price index futures	**1,794**	**-**	**-**	**1,794**
Total financial assets at fair value through profit or loss	**1,806,538**	**8,650**	**-**	**1,815,188**
Financial liabilities at fair value through profit or loss				
Swaps	**-**	**16**	**-**	**16**
Australian listed equity securities	**430,033**	**-**	**4,262**	**434,295**
International listed equity securities	**61,928**	**-**	**-**	**61,928**
Australian listed property trusts	**14,368**	**-**	**-**	**14,368**
Exchange traded fund	**105,801**	**-**	**-**	**105,801**
Total financial liabilities at fair value through profit or loss	**612,130**	**16**	**4,262**	**616,408**

4. FAIR VALUE MEASUREMENTS (CONTINUED)

(iii) Recognised fair value measurements (continued)

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Swaps	-	16,934	-	16,934
Australian listed equity securities	754,130	-	-	754,130
International listed equity securities	582,882	-	-	582,882
Australian listed property trusts	54,335	-	-	54,335
Total financial assets at fair value through profit or loss	1,391,347	16,934	-	1,408,281
Financial liabilities at fair value through profit or loss				
Australian share price index futures	1,014	-	-	1,014
Australian listed equity securities	624,259	-	-	624,259
International listed equity securities	79,134	-	-	79,134
Australian listed property trusts	30,830	-	-	30,830
Total financial liabilities at fair value through profit or loss	735,237	-	-	735,237

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

During the year, following the voluntary suspension of one Australian listed equity security in the stock exchange, the Company's investment in the said listed equity security was reclassified from Level 1 to Level 3.

(iv) Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the year:

	Australian listed equity securities **$'000**
2020	
Balance as at 1 July 2019	**-**
Transfers into Level 3	**(4,502)**
Purchases	**(252)**
Sales	**-**
Fair value gain	**492**
Balance as at 30 June 2020	**(4,262)**

(v) Quantitative information of significant unobservable inputs - Level 3

As at 30 June 2020, the Company considers the most recent available transaction prices as the most material input used in determining the price of Level 3 securities, as such the Company did not create material alternate quantitative inputs when measuring fair value as it has primarily relied on recent transaction prices.

(vi) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are reasonable approximations of their fair values due to their short-term nature.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

Income taxes

The Company has recognised deferred tax assets relating to current year tax losses and unrealised losses on investments of $92,722,000 at 30 June 2020 (2019: $69,914,000).The utilisation of tax losses depends on the ability of the Company to generate future taxable profits and general market movements. Based on the long term performance of a materially similar long/short strategy managed by the Investment Manager since September 2014, the Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. Despite negative performance in the last 2 years, the materially similar long/short strategy managed by the Investment Manager has returned 15.74% p.a. since inception which is well above the ASX 200 index return of 5.18% p.a. for the same period. New information may become available that may cause the Company to change its judgement regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore would have to rely on the same business test. If the Company fails to satisfy the test, $88,357,000 (2019: $60,196,000) of deferred tax assets related to tax losses would be written off to income tax expense. Refer to Note 12 for further discussion of accounting for deferred tax assets.

Uncertain taxes

For the year ended 30 June 2020, the Directors have evaluated the Company's tax positions and concluded that no recognition of uncertain tax position is required in the Company's financial statements.

The Company identifies its major tax jurisdictions as those where the Company is domiciled and make significant investments. The Directors do not believe there are positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will materially change within twelve months of the reporting date.

Financial instruments

For the majority of the Company’s financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. While the COVID-19 pandemic has resulted in significant volatility in the markets, the Company does not disregard the market prices at the measurement date that are publicly available and based in an orderly transaction between knowledgeable and willing market participants. For more information on how fair value is calculated please see Note 4 to the financial statements.

For financial instruments measured at amortised cost, the expected credit loss impairment assessment considers the probability of default which was assessed to be close to zero.

Receivable from Manager

Receivable from manager is carried at amortised cost using effective interest method. The Company assesses the impact of effective interest rate that will discount the estimated future cash receipts through the expected life of the financial asset to be not significant in the financial report. The Company deems that the credit risk of the Investment Manager which includes risk associated with cash flows will not significantly impact the balance.

The Company also evaluates based on ECL model that there is no objective evidence that an impairment loss should be recognised in this financial asset based on historical performance of the Manager, the Manager’s current and forecasted financial position and evaluating a range of possible probability-weighted outcomes. Directors’ assessment is disclosed in the credit risk note 3(b) under Financial Risk Management.

6. SEGMENT INFORMATION

The Company has only one reportable segment. The Company operates in one industry being the securities industry, deriving revenue from dividend and trust distribution income, interest income and from the sale of its trading portfolio.

7. INCOME TAX BENEFIT

(a) Income tax benefit through profit or loss

	Year Ended 30 June 2020 $'000	30 June 2019 $'000
Income tax benefit	**(13,200)**	(26,387)
	(13,200)	(26,387)
Income tax benefit is attributable to:		
Loss from continuing operations	**(13,200)**	(26,387)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	Year Ended 30 June 2020 $'000	30 June 2019 $'000
Loss from continuing operations before income tax benefit	**(34,850)**	(75,789)
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**(10,455)**	(22,737)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Imputation credit gross up	**(2,785)**	(4,035)
Franked dividends not subject to tax	**40**	385
Income tax benefit	**(13,200)**	(26,387)
The applicable weighted average effective tax rates are as follows:	**(37.88%)**	(34.82%)

(c) Amounts recognised directly in equity

	Notes	Year Ended 30 June 2020 $'000	30 June 2019 $'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Deferred tax - Share issue costs	12	**2,172**	2,178

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	As at 30 June 2020 $'000	30 June 2019 $'000
Cash at bank	**59,013**	160,501
Cash at broker	**500,299**	928,704
	559,312	1,089,205

9. CURRENT ASSETS - OTHER RECEIVABLES

	As at 30 June 2020 $'000	30 June 2019 $'000
Dividends receivable	**6,709**	423
Interest receivable	**1**	856
GST receivable	**448**	500
Other receivables	**-**	2
Withholding tax receivable	**459**	459
Due from brokers	**46,791**	20,047
	54,408	22,287

Receivables are non-interest bearing and unsecured.

10. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2020	30 June 2019
	$'000	$'000
Swaps	**8,650**	16,934
Australian listed equity securities	**1,062,462**	754,130
International listed equity securities	**692,910**	582,882
Australian listed property trusts	**49,372**	54,335
Australian share price index futures	**1,794**	-
Total financial assets at fair value through profit or loss	**1,815,188**	1,408,281

Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

(a) Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 4,839 (2019: 3,764). Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was $14,418,000, inclusive of GST (2019: $8,167,000).

(b) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3 and 4.

11. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

(i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
(ii) as a substitute for physical securities; and
(iii) adjustment of asset exposures within the parameters set out in the investment strategy.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

The Company holds the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange.

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Equity swaps

An equity swap is an agreement between counterparties to exchange a set of payments, determined by a stock or index return, with another set of payments (usually an interest-bearing (fixed or floating rate) instrument, but they can also be the return on another stock or index). Equity swaps are used to substitute for a direct transaction in stock. The two cash flows are usually referred to as "legs". As with other swaps, the difference in the payment streams is netted.

The Company's derivative financial instruments at year end are detailed below:

		Fair values	
	Notional values $'000	**Assets $'000**	**Liabilities $'000**
30 June 2020			
Swaps	**186,058**	**8,650**	**16**
Australian share price index futures	**(327,327)**	**1,794**	**-**
30 June 2019			
Swaps	205,346	16,934	-
Australian share price index futures	114,291	-	1,014

Risk exposures and fair value measurements

Information about the Company's exposure to price risk, credit risk, foreign exchange risk, interest rate risk and liquidity risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the Statement of Financial Position where the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting agreement. The ISDA agreements in place meet the criteria for offsetting in the Statement of Financial Position as the Company has a currently legally enforceable right of payment netting to net same day, same currency payments by derivative transaction type.

In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a net amount is payable in settlement of all transactions.

The gross and net positions of financial assets and liabilities that have been offset in the Statement of Financial Position are disclosed in the first three columns of the table below.

	Gross amounts $'000	**Amounts set off in the Statement of Financial Position $'000**	**Net amounts presented in the Statement of Financial $'000**	**Cash collateral (received)/ pledged $'000**	**Net amount $'000**
30 June 2020					
Derivative assets					
Credit Suisse AG	**1,794**	**-**	**1,794**	**-**	**1,794**
Morgan Stanley & Co. International plc	**12,141**	**(3,491)**	**8,650**	**32,000**	**40,650**
Derivative liabilities					
Credit Suisse AG	**16**	**-**	**16**	**-**	**16**
Morgan Stanley & Co. International plc	**3,491**	**(3,491)**	**-**	**-**	**-**
30 June 2019					
Derivative assets					
Morgan Stanley & Co. International plc	17,784	(850)	16,934	17,092	34,026
Derivative liabilities					
Credit Suisse AG	1,014	-	1,014	-	1,014
Morgan Stanley & Co. International plc	850	(850)	-	-	-

12. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Notes	As at 30 June 2020 $'000	30 June 2019 $'000
The balance comprises temporary differences attributable to:			
Tax losses		**88,357**	60,196
Net unrealised losses on investments		**-**	3,196
Capitalised share issue costs		**4,343**	6,515
Other temporary differences		**22**	7
Deferred tax assets		**92,722**	69,914
Deferred tax liabilities	15	**(9,639)**	(32)
Deferred tax assets, net		**83,083**	69,882

	Notes	As at 30 June 2020 $'000	30 June 2019 $'000
Movements:			
Opening balance		**69,914**	43,867
Credited:			
directly to equity		**(2,172)**	(2,178)
directly to profit or loss		**24,980**	28,225
Closing balance, Deferred tax assets		**92,722**	69,914
Closing balance, Deferred tax liabilities	15	**(9,639)**	(32)
Closing balance, Deferred tax assets, net		**83,083**	69,882

13. CURRENT LIABILITIES - OTHER PAYABLES

	As at 30 June 2020 $'000	30 June 2019 $'000
Management fees payable	**1,337**	1,374
Interest payable	**530**	1,177
Due to brokers	**18,581**	29,572
Short dividends payable	**1,285**	2,552
Other payables	**417**	746
	22,150	35,421

Other payables are unsecured and are usually paid within 30 days of recognition.

Due to their short-term nature, the carrying amounts of other payables are reasonable approximations of their fair values.

14. CURRENT LIABILITIES - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 $'000	30 June 2019 $'000
Australian share price index futures	**-**	1,014
Swaps	**16**	-
Australian listed equity securities	**434,295**	624,259
International listed equity securities	**61,928**	79,134
Australian listed property trusts	**14,368**	30,830
Exchange traded fund	**105,801**	-
Total financial liabilities at fair value through profit or loss	**616,408**	735,237

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

15. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	As at	
	30 June 2020	30 June 2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Net unrealised gains on investments	**7,912**	-
Other temporary differences	**1,727**	32
	9,639	32

	As at	
	30 June 2020	30 June 2019
Movements:	**$'000**	$'000
Opening balance	**32**	367
Charged:		
Profit or loss	**9,607**	(335)
Closing balance	**9,639**	32

16. ISSUED CAPITAL

(a) Share capital

	Notes	30 June 2020 Shares '000	30 June 2019 Shares '000	30 June 2020 $'000	30 June 2019 $'000
Ordinary Shares	16(c)	**649,064**	664,839	**1,312,361**	1,329,678

(b) Movements in issued capital

	Notes	Shares '000	$'000
Opening balance - 30 June 2019	16(d)	**664,839**	**1,304,338**
Share buyback		**(15,775)**	**(17,317)**
Closing balance - 30 June 2020		**649,064**	**1,287,021**
Opening balance - 30 June 2018	16(d)	664,839	1,304,325
Capital raising costs*		-	19
Capital raising costs - tax effect*		-	(6)
Closing balance - 30 June 2019		664,839	1,304,338

* The movement in capital raising costs represents adjustment on the Reduced Input Tax Credit (RITC) associated to previously incurred capital raising costs.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Shares issued

At incorporation, the Company issued 1 share at $2.00 per share.

The Company issued a Prospectus on 16 February 2018 for the offer of up to 300,000,000 fully paid ordinary shares at an offer price of $2.00 per share to raise up to $600,000,000. On 29 March 2018, the Company issued a Supplementary Prospectus to increase the maximum offer size to $1.35 billion and as a result, the maximum number of shares to be issued increased from 300,000,000 to 675,000,000 shares. On 24 April 2018, the Company issued 664,839,144 fully paid ordinary shares under this initial public offering at $2.00 per share.

On 27 February 2020, the Company announced a new on-market buy-back of up to 10% of its shares, commencing 16 March 2020 and continuing for up to 12 months. Since 19 March 2020 a total of 15,775,000 shares (2.37%) had been bought back up to 30 June 2020.

16. ISSUED CAPITAL (CONTINUED)

(e) Capital risk management

The Board of Directors will actively manage the capital of the Company. The overriding intention is to deliver value to shareholders.

To achieve this, the Board monitors the monthly NTA results, investment performance, the Company's indirect cost ratio and share price movements.

The Company is not subject to any externally imposed capital requirements.

17. DIVIDENDS

(a) Dividend rate

There were no dividends paid or declared during the year.

(b) Dividend franking account

The Company's franking account balance as at 30 June 2020 was $11,842,000 (30 June 2019: $7,056,000). Subsequent to year end, the Company will receive $932,000 in franking credits as a result of dividends accrued at 30 June 2020 (2019: $57,000).

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Year ended	
	30 June 2020	30 June 2019
	$	$
Short-term employee benefits	**280,479**	273,972
Post-employment benefits	**19,521**	26,028
	300,000	300,000

As at 30 June 2020, there were no Directors' fees payable (2019: $41,550).

Detailed remuneration disclosures are provided in the remuneration report.

(b) Equity instrument disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each Director of L1 Long Short Fund Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

30 June 2020	**Balance at the start of the year**	**Acquisitions**	**Disposals**	**Balance at end of the year**
Directors of L1 Long Short Fund Limited				
Andrew Larke	**625,000**	**150,000**	**-**	**775,000**
John Macfarlane	**500,000**	**-**	**-**	**500,000**
Harry Kingsley	**25,000**	**-**	**-**	**25,000**
Raphael Lamm*	**6,568,655**	**8,369,097**	**-**	**14,937,752**
Mark Landau*	**9,942,215**	**8,747,373**	**-**	**18,689,588**
	17,660,870	**17,266,470**	**-**	**34,927,340**

30 June 2019				
Directors of L1 Long Short Fund Limited				
Andrew Larke	525,000	100,000	-	625,000
John Macfarlane	500,000	-	-	500,000
Harry Kingsley	25,000	-	-	25,000
Raphael Lamm*	2,500,001	4,068,654	-	6,568,655
Mark Landau*	2,500,000	7,442,215	-	9,942,215
	6,050,001	11,610,869	-	17,660,870

* Raphael Lamm and Mark Landau have interest in the shares held by L1 Employees Remuneration Trust by virtue of s608(1) of the *Corporations Act 2001.*

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Equity instrument disclosures relating to key management personnel (continued)

Ordinary shares held by the following Directors are subject to voluntary escrow for a period which is the earlier of (a) the period of 10 years from the date that the Company is listed on the exchange or (b) the duration of the Investment Management Agreement.
• Raphael Lamm - 2,500,000 shares (2019: 2,500,000 shares)
• Mark Landau - 2,500,000 shares (2019: 2,500,000 shares)

All of the key management personnel held shares during the year ended 30 June 2020 and 30 June 2019.

19. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Company and its related practices:

	Year ended	
	30 June 2020	30 June 2019
	$	$
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report	**83,000**	75,000
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
• Agreed-upon-procedures on investment mandate	**14,000**	12,000
• Agreed-upon-procedures on admin transition	**10,000**	-
Total fees to Ernst & Young (Australia)	**107,000**	87,000
Fees to other overseas member firms of Ernst & Young (Australia)	**-**	-
Total auditor's remuneration	**107,000**	87,000

The Investment Manager, on behalf of the Company, records and pays income tax return filing services of EY. The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditors. The Audit and Risk Committee reviews the scope of the audit and the proposed fee.

20. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Company had no contingent assets, liabilities or commitments as at 30 June 2020 (2019: nil).

21. RELATED PARTY TRANSACTIONS

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 18.

(b) Transactions with other related parties

All transactions with related entities were made on normal commercial terms and conditions at arms length no more favourable than those available to other parties unless otherwise stated.

L1 Capital Pty Limited is a Director related entity which operates a funds management business and has been appointed to manage the investment portfolio of L1 Long Short Fund Limited. In its capacity as Investment Manager, L1 Capital Pty Limited is entitled to be paid a management fee equal to 1.40% (plus GST) per annum (1.4350% inclusive of the net impact of GST and Reduced Input Tax Credit (RITC)) of the value of the portfolio calculated daily. Under the Investment Management Agreement, the Investment Manager will repay the Company all costs and expenses (Offer Costs) incurred in the establishment of the Company and in relation to or as a result of the Company undertaking its initial public offer of shares pursuant the Prospectus and listing on ASX. The Offer Costs will be repaid to the Company through an offset against management fees that would otherwise have been payable to the Investment Manager.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties (continued)

In 2018, the total Offer Costs paid by the Company amounted to $38,868,972. As at 30 June 2020, the balance of the Company's Receivable from Manager in relation to the Offer Costs amounted to $230,000 (2019: $17,113,000) presented as current assets in the Statement of Financial Position.

Management fees (inclusive of the net impact of GST and RITC) incurred during the year amounted to $15,640,000 (2019: $15,353,000) of which $1,337,000 (2019: 1,374,000) remained payable as at year end. Of the total management fee payable, $230,000 will be offset against the Receivable from Manager to repay the Company's Offer Costs.

In addition, L1 Capital Pty Limited is entitled to be paid by the Company a fee equal to 20% (plus GST) of the Portfolio's outperformance, if any, over each performance calculation period, subject to a high watermark mechanism. Further information in respect of the Company's performance fee calculation is contained in Section 9.1 of the Company's Prospectus which was issued on 16 February 2018.

There was no performance fee incurred and paid during the year (2019: nil).

The expense recoveries borne by the Company are paid directly to the service provider and is subsequently reimbursed by the Investment Manager. Expense recoveries include ASX fees, ASIC fees, custodian, administrator, tax fees and other expenses. Total amount reimbursed by the Investment Manager for the year ended 30 June 2020 was $763,000, of which $39,000 was receivable at year end.

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

23. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended	
	30 June 2020 **$'000**	30 June 2019 $'000
Loss for the year	**(21,650)**	(49,402)
Purchase of financial instruments at fair value through profit or loss	**(2,594,292)**	(878,108)
Proceeds from sale of financial instruments at fair value through profit or loss	**2,058,706**	788,983
Net (gains)/losses on financial instruments at fair value through profit or loss	**(27,732)**	45,161
Dividend reinvested	**(151)**	(2,894)
Effects of foreign currency exchange rate changes on cash and cash equivalents	**31,346**	18,841
Change in operating assets and liabilities		
Decrease in other receivables (current)	**11,543**	21,575
Decrease/(increase) in other current assets	**36**	(380)
Increase in deferred tax assets	**(13,201)**	(26,382)
Decrease in other payables	**(2,281)**	(3,284)
Net cash outflow from operating activities	**(557,676)**	(85,890)

24. LOSSES PER SHARE

(a) Basic losses per share

	Year Ended	
	30 June 2020 **Cents**	30 June 2019 Cents
Basic losses per share attributable to the ordinary equity holders of the Company	**3.27**	7.43

(b) Diluted losses per share

	Year Ended	
	30 June 2020 **Cents**	30 June 2019 Cents
Diluted losses per share attributable to the ordinary equity holders of the Company	**3.27**	7.43

Diluted losses per share are the same as basic losses per share.

24. LOSSES PER SHARE (CONTINUED)

(c) Weighted average number of shares used as denominator

	Year Ended	
	30 June 2020 Number	30 June 2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	**662,745,849**	664,839,144
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted losses per share	**662,745,849**	664,839,144

In the opinion of the Directors of L1 Long Short Fund Limited:

(a) the financial statements and notes set out on pages 11 to 33 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 Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of the Investment Manager required by section 295A of the *Corporations Act 2001* .

This declaration is made in accordance with a resolution of the Directors.

DocuSigned by:

Andrew Larke

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Andrew Larke
Independent Chairman

Melbourne
27 August 2020

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Independent Auditor's Report to the Directors of L1 Long Short Fund Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of L1 Long Short Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2020 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 Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Accounting for taxes and recoverability of deferred tax assets

Why significant	How our audit addressed the key audit matter
At 30 June 2020, the Company recognised $83,083,000 of net deferred tax assets ("DTA") relating to carry forward tax losses. The analysis of the recognition and recoverability of the DTA was considered a key audit matter because its value is significant, the assessment process is judgmental and is based on assumption that are affected by expected future market or economic conditions. The Company recognised the DTA to the extent that it is probable that future taxable profits will allow the DTA to be recovered as disclosed in Note 12 of the financial report. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.	Our tax specialists assessed the availability of the underlying tax losses to the Company based on applicable tax legislation. We considered the Company's determination of future taxable income and hence the recoverability of the deferred tax assets. We performed sensitivity analyses and evaluated the key assumptions with reference to historical data and available market information. We assessed the adequacy of the disclosures in Note 12 of the financial report.

2. Investment Existence, Valuation and Classification

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equity securities, equity swaps and future contracts. As at 30 June 2020, the values of these financial assets and financial liabilities, per Note 10 and Note 14 to the financial report were $1,815,188,000 and $616,408,000 which equates to 72% and 45%, of the total assets and total liabilities, respectively of the Company. As detailed in the Company's accounting policy, as described in Note 2(j) of the financial report, these financial assets and financial liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.	We assessed the effectiveness of the controls relating to recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator, in relation to the Fund Administration Services it provided for the year ended 30 June 2020 and considered the auditor's qualifications, objectivity and the results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020.

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Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and financial liabilities, and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the Company's determination of fair value of all of its investments in the portfolio at 30 June 2020. For listed securities, the values were agreed to independently sourced market prices. For unlisted derivatives, the values were agreed to independently sourced observable market inputs applied to appropriate valuation models. We assessed the adequacy of the disclosures in Note 4, Note 10, Note 11 and Note 14 of the financial report.

3.Management and Performance Fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to L1 Capital Pty Ltd ("L1" or "the Manager") are the most significant expenses of the Company. The Company's accounting policy for management and performance fees is described in Note 21 of the financial report. The management fee is calculated daily and paid monthly in arrears. The Manager is entitled to be paid monthly a management fee equal to 1.4% (plus GST) per annum of the value of the portfolio. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement year, which is the date that the performance criteria is met and the obligation has crystallised. All expenses are recognised on an accrual basis. During the year, management fee totalled $15,640,000 which equates to 20% of total expenses During the year, 30 June 2020, the Company had $nil performance fees. The assessment of the recognition of expenses relating to performance fee arrangements can be complex. Accordingly, this was considered a key audit matter.	We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Company's administrator, who has responsibility for the calculation. We recalculated management and performance fees in accordance with relevant service arrangement including agreeing the contract rate to the calculation. We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation of $nil, was in accordance with the relevant services agreement. We assessed the adequacy of the disclosures in Note 21 of the financial report.

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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.

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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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of L1 Long Short Fund Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
27 August 2020