Australian Leaders Fund Limited

ABN 64 106 845 970

Annual Report 2019

YEAR ENDED 30 JUNE 2019

Australian Leaders Fund
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COMPANY PARTICULARS

Australian Leaders Fund Limited
A.B.N. 64 106 845 970

DIRECTORS:	Justin Braitling (Chairman) Geoffrey Wilson (Non-Executive Director) John Abernethy (Non-Executive Director) Julian Gosse (Non-Executive Director)
COMPANY SECRETARY	Mark Licciardo Belinda Cleminson
PRINCIPAL REGISTERED OFFICE IN AUSTRALIA:	Level 23 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Phone: (02) 9252 0225 Email: info@wfunds.com.au For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to www.asx.com.au or call (02) 8280 1700.
SHARE REGISTER	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000 Phone: (02) 9290 9600 Fax: (02) 9279 0664 For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.
AUDITORS	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Phone: (02) 9221 2099
SECURITIES EXCHANGE LISTING	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: ALF ordinary shares

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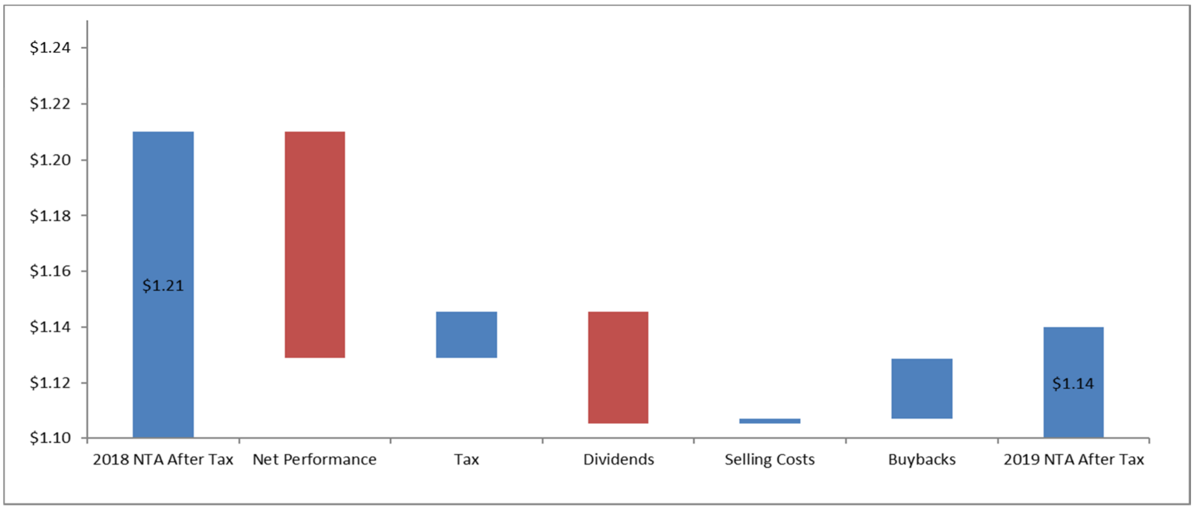
Chairman's Letter

Dear fellow Shareholders,

Australian Leaders Fund ('ALF' or 'the Company') reported an after-tax loss of $20.5 million for the 12 months to 30 June 2019. As at 30 June 2019, ALF's after-tax Net Tangible Asset Backing (NTA) was $1.14, down from $1.21 in the previous year. Shareholders received dividends totalling 4.5 cents per share in respect of FY19, with the final dividend franked to 50%.

Figure 1: NTA Bridge



The new financial year marks an important turning point for ALF. The last 12 months have been a period of transition for the Company, as the Investment Manager undertook a process of withdrawing from international shares to bring its focus exclusively back to the local share market. This necessitated changes to the investment team and those changes are now bearing fruit, manifesting in stronger performance in recent months.

Your Board acknowledges the feedback it has received from Shareholders in respect of the Company's recent performance and shares concerns over the discount to NTA at which ALF shares have been trading. We have seen similar discounts at various times in the life of the Fund and each time, the gap to NTA was closed through a combination of strong performance and active capital management from the Board. It is my firm view that these same factors will come to bear in the months and years ahead.

Investment Strategy and Performance Review

FY19 presented myriad challenges for absolute return funds and ALF was no exception, with the value of the Company's investment portfolio falling by 7.2% before fees. After a strong start to the period in July 2018, ALF's portfolio suffered a drawdown of 7.5% in the following 5 months of 2018. This was a disappointing result given ALF's defensive positioning.

The strong rebound in the share market through the first half of 2019 presented a further challenge, with the Manager opting to retain its defensive positioning in light of the ongoing risks for the global economy. With little or no exposure to the rising market, the Fund lagged the benchmark through to the end of the period. It is expected that in this late phase of the market cycle, a hedged strategy such as ALF will underperform the broader share market.

Shareholders can take some comfort in the fact that ALF's investment strategy has historically allowed the Manager to protect capital during volatile periods for the share market and in fact the Fund has produced some of its best returns in such conditions.

Capital Management

Your Board was active in managing the Company's capital during FY19, having purchased 24,851,876 shares as at 30 June 2019, through the on market buy-back. These shares were bought back at an average discount to the Company's NTA of 13%, which is accretive for remaining Shareholders, adding 2 cents to the value of the NTA over the course of the year.

Active capital management is a priority for the Board, and as Directors we have endeavoured to be ever vigilant on this front. Since listing in 2004, the Board has undertaken 8 on-market buy-backs and has bought back over 60 million shares (around 20% of all ALF shares that have been issued).

Notwithstanding the NTA accretion that is achieved through the on-market buy back, the Company's shares have traded at a discount to NTA. While there are many factors at play here, the Board has resolved to take further action in the form of Off-Market Buy Backs, in order to provide investors with some liquidity, at a price that reflects the value of the Company's assets.

Short-term Capital Management

The Board intends to put a vote to Shareholders at the Company's Annual General Meeting to approve an Equal-access, Off-Market Buy Back ("Off Market Buy Back") of up to 20% of the ordinary ALF Shares on issue.

If the Off Market Buy Back is approved, Shareholders will have an opportunity to tender up to 20% of their shares, for purchase by the Company through the Buy Back, at a price that is around the Company's NTA, less expenses and net of any deferred tax assets on the Company's balance sheet at the time of the offer. The Off Market Buy Back will be completed before 31 January 2020.

Long-term Capital Management

The Board also intends to offer further Off-Market Buy Backs at or around NTA, in any year where the ALF share price has traded at an average discount to the After-Tax NTA of more than 10%. This will ensure that Shareholders have further opportunities to liquidate part of their holdings at or around NTA.

We will continue to monitor and review all capital management strategies that are employed across the market, based on what is in the best interests of Shareholders, and the sustainability of the Company.

Dividends

In line with the Dividend Policy announced in February 2018, the Board has resolved to pay a final dividend in respect of FY19 of 2.5 cents per share, franked to 50%. This takes the total dividends paid to Shareholders in 2019 to 4.5 cents per share.

A key source of franking for ALF is from tax paid on trading profits. Given the Company can carry forward prior years' tax losses, we do not expect to pay tax on trading profits in FY20, reducing the amount of franking that would ordinarily accrue. The Board expects to return to paying fully franked dividends once the Company has exhausted its deferred tax asset and is in a taxable position.

Annual General Meeting

The Company's Annual General Meeting will be held in Sydney on 29 November 2019. Further details for the AGM will be provided in the Notice of Meeting, to be sent to Shareholders in due course. Following the AGM, I will provide an update on the recent performance of the Fund and an overview of our outlook for the share market in FY20. I look forward to seeing Shareholders at the AGM, or at one of the Shareholder Updates to be held in other states, the timetable for which will also be announced in due course.

I thank you for your continued support.

Justin Braitling
Chairman
Dated at Sydney, September 27, 2019

September 27, 2019

Chief Investment Officer's Report

ALF Performance Review

The 2019 financial year was a perfect storm for hedge funds around the world and ALF suffered from similar challenges to several of its peers. Many of the signals that form the foundation of our quality and value approach to investing have failed to perform in recent times and our natural tendency to take contrarian viewpoints has been a liability in a momentum driven market. With asset markets awash with cheap liquidity, the Fund is exposed on the short side to irrational M&A activity and a preparedness from investors to pay ever higher prices for the promise of growth. Coupled with internal challenges as Watermark exited its international business, it was a difficult period for ALF.

Having made a strong start to the year in July 2018, the Fund went on to fall 7% in the following 5 months, broadly in line with the Australian share market. In a departure from a long history of outperformance on the long side of the ledger, ALF's long portfolio underperformed the broader share market by 5%. With average net exposure to the market of close to zero through this period, we would normally expect to generate profits from our shorts in a falling market. Unfortunately, alpha generation on the short side did not sufficiently offset losses from long exposures and the Fund suffered a modest drawdown in value.

Performance issues were compounded in the first half of 2019 as the market bounced back from its December 2018 lows. In light of slowing economic growth, a weak earnings outlook and a myriad of geopolitical risks for the global economy, we retained the conservative portfolio settings from the prior period and did not participate in the strong rally, which saw the Australian share market rise by 20% in the 6 months to 30 June 2019. With no net exposure to shares, a comparison of ALF's return with the broader share market is largely irrelevant. However, the Fund has an objective to outperform its benchmark over time and we have clearly fallen short in the last few years.

12 Month Performance at 30 June 2019

Long Return*	6.4%
Short Return*^	14.6%
L/S Spread*	-8.2%
All Ords Accum. Index	11.0%
Fund Return (Before Fees)	-5.9%

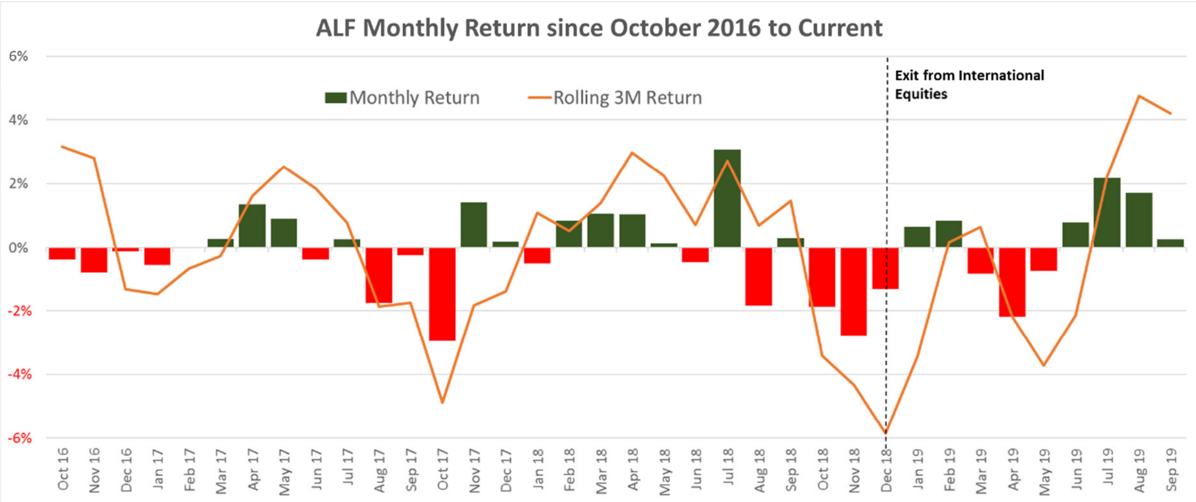
*Returns do not take account fees or costs.

^ Positive return for the short portfolio represents a loss for the Fund

This difficult period has provided several valuable lessons, which we have taken on board to strengthen our investment process through tighter risk controls and better execution. The continued rise of ETF's and quantitative investment strategies has had a meaningful impact on market structure and dynamics. We have developed tools that will assist us in reading these price signals to help ensure we execute our investment ideas more effectively.

Many of these developments, not the least of which was the important decision to bring our focus back to the domestic share market, are now manifesting in improved Fund returns. Our goal for ALF has historically been to deliver a return after all fees that is greater than 10% per annum. We have achieved this in 9 out of 16 financial years that ALF has been running, delivering significantly higher returns in some of these years and annualising just over 10% per annum since inception.

So far in FY20 the Fund is performing in line with this target. The chart below plots the rolling three-monthly performance over the last 3 years, where ALF's returns have fallen short of our target. Simply put, in moving into international shares, we lost our edge in Australian shares and Fund performance suffered as a result. We have pivoted back to what we do well and that is now coming through in Fund performance. I would encourage Shareholders to monitor ALF's performance in the coming quarters for further confirmation that this trend has been sustained.



With time and consistency, we will concentrate the portfolio further and look to take directional exposures at a sector and fund level, to further enhance returns. Some of our best results have been around turning points for share markets, where our flexible mandate allows us to take strategic, directional positions that, with the added benefit of the leverage in ALF's structure, can produce results that are very different from the broader share market. This was the case in each of 2009, 2012, 2013 and 2015 which were all outstanding years for ALF.

Economic Update and Market Outlook

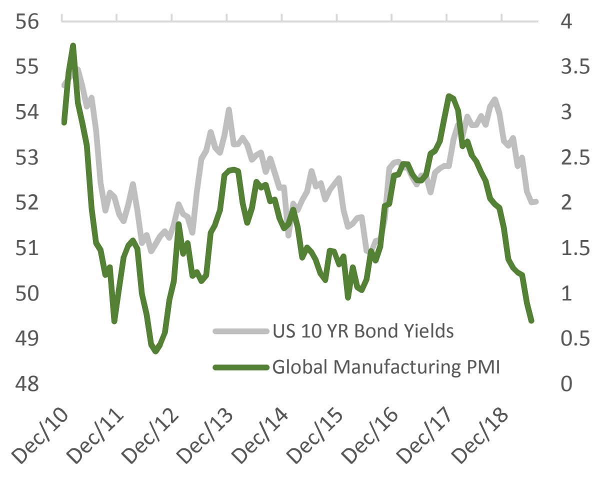
While the All Ordinaries Index is testing its all-time high, the internal health of this bull market in shares has deteriorated significantly in recent weeks as the leadership has narrowed to just a few sectors. Many offshore indices already look to have peaked, particularly those that track industrial and smaller companies.

This distributive pattern of sector returns is typical of a market top, suggesting this bull is very tied and that there is insufficient fuel in the tank to propel the market higher. Given a backdrop of decelerating global growth and a market desperately trying to hold onto large gains, we foresee a replay of last year unfolding in the months ahead.

Only time will tell whether this ends up being another mid-cycle pause, or a curtain call for this business cycle. I suspect the next global recession is still beyond the immediate horizon, so we are likely to see a replay of what happened in 2018 in the second half of this year, before shares stage one last rally leg next year to close out this cycle.

Bond Markets Are Sending A Dire Warning Of Slowing Growth & Deflation

Fig 1



Source: Cornerstone Research

Bond and Commodity markets are signalling trouble ahead for the global economy. *Fig 1* above shows the clear relationship between economic conditions (Global PMI) and 10-year US treasuries. Narrowing our focus to forward orders, activity should continue to slow through the balance of this year. By year-end, US manufacturing is likely to be in outright contraction, as is Germany today.

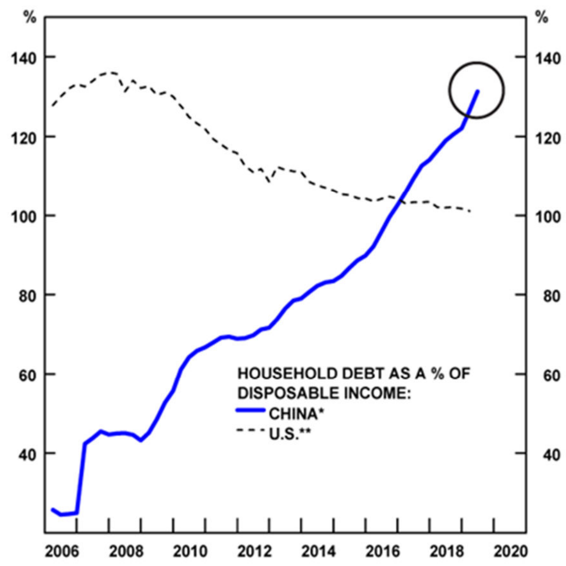
The global economy is expected to expand by $3 trillion this year; China alone accounts for one third of this. Its overall influence on growth is even greater, given its pivotal role in global trade and the impact it has on major exporting nations. Asian export volumes to China are currently falling at 10% year-on-year. Germany, the export powerhouse of Europe, has reported a dismal PMI of 43 (the lowest in years), principally because of weakness in China; its largest customer. Of all the major economies, the US is least exposed to China, a key reason why growth has been so resilient.

This slowing in global activity is, of course, having a meaningful impact on corporate profitability, with profits for US companies contracting in the second quarter. Expectations for the second half are still too high, and profit forecasts will need to be lowered as we progress through the year.

Investors have looked through all this and instead, have followed the money, with Central Banks everywhere lowering rates once again. They live in the hope that growth will pick up again later in the year. China, as already stated, is a big piece of this puzzle. So far, the Chinese economy has failed to respond to the numerous policy measures taken to stabilise growth. As with western economies, the efficacy of incremental doses of stimulus may be waning, potentially due to the excessive levels of embedded debt in the economy. Chinese households are now more levered than those in the US (*Fig 2*).

Chinese Households More Levered than US Households

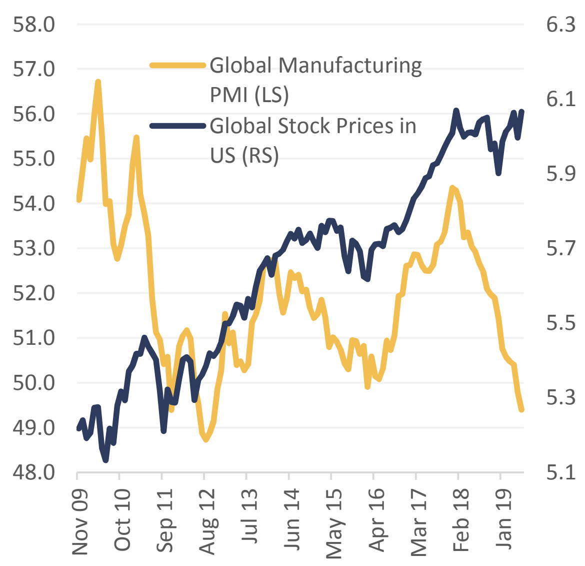
Fig 2



Source: BCA Research

Industrial Production Slowing Rapidly Shares At Record Highs?

Fig 3



Source: Bloomberg

Meanwhile, investors in shares seem to be reading from a different hymn sheet with major indices reaching all-time highs. Rarely do you see such diametrically opposed views on the outlook for risk assets between bond and equity investors. Historically, the price signal from the bond market has been the right one to back.

Turning to the domestic outlook, the federal election result was clearly a Black Swan event that caught everyone offside, including institutional investors. Leading up to the election, the domestic economy was losing momentum rather quickly in expectation of a raft of less-than-friendly Labor policies. While confidence has clearly improved post the election, supported by two interest rate cuts and tax rebates for most households, this has yet to translate into stronger trading conditions. Retailers generally continue to report patchy trading conditions. In housing, auction clearance rates have picked up, but the litmus test will be the spring selling season, when new listings come back on the market. Credit continues to be tight in-spite of macroprudential easing. While the RBA has indicated it is ready to cut rates further if required, it becomes harder for banks to pass these on as rates move lower.

The saving grace for the domestic economy is the resurgence in the terms of trade, filling the government coffers and providing a much-needed boost to the economy. As we move back to a trade surplus, the government is once again contemplating a fiscal surplus, as early as next year.

Investors should consider the implications of the sharp fall in Australian Commonwealth Government bond yields, which have collapsed in recent months. As interest rates fall across the curve, capital markets are suggesting there are very real and powerful deflationary forces at play, not just globally but in the Australian economy as well. The RBA has certainly stood up and listened, moving decisively to lower rates, having held them steady for 7 years.

Portfolio Review

As with markets offshore, the local share market has responded positively to lower interest rates. Cyclical shares in housing and retail have rallied in recent months as investors look through the valley to stronger trading conditions next year. Time will tell whether this comes to pass. We are more circumspect, with the Fund tilted toward more defensive parts of the market such as utilities, infrastructure and staples.

While we are more cautious on cyclical sectors, James Hardie Industries has de-rated significantly in recent years and US housing starts should recover now that mortgage rates have fallen. Local suppliers of building products GWA and CSR will find it tougher in the months ahead with detached housing starts locally down 10% year-on-year. We established a position in Adelaide Brighton following the sharp sell-off in its shares in August. As property listings recover from a 10-year low, digital real estate site Domain Holdings should perform better, it trades at a small fraction of REA Group valuation.

In retail, homewares supplier Harvey Norman has rallied hard in recent months and looks very expensive, we prefer Nick Scali which continues to take share in this segment. We also like Baby Bunting as it is benefiting from industry consolidation and has an exciting roll out ahead of it. Other cyclical exposures include Flight Centre and Nine Entertainment, both companies are attractively priced and are creating value for shareholders.

In technology, we like Bravura Solutions and recently listed Fineos - a leading provider of software solutions to Life, Accident & Health insurers globally. Next DC, a leading data centre provider with strong connectivity in key data gateways is benefitting from the rapid roll-out of hyperscale computing. As valuations in technology are over-extended, we have hedged these exposures by shorting tech companies that we believe will disappoint lofty expectations.

In the industrial heartland, Qantas continues to execute well and with Virgin cutting flights, it offers excellent value. Turning to the defensive parts of the share market where we are overweight, we retain our preference for infrastructure and staples. While valuations are also looking stretched, we feel bonds yields can fall further and that these bond proxies can still perform.

We have in investment in the newly listed Port of Napier in New Zealand, the port will benefit from the addition of a new berth, taking advantage of the strong growth in stone fruit and saw logs in the region. The regulated utilities, AusNet and Spark infrastructure look over sold to us at current levels.

We have hedged these with AGL Energy – the company faces a raft of challenges as pool prices in the NEM fall, as renewable projects are commissioned, and fuel costs increase on renewal. While the political scrutiny around power prices has eased, it won't disappear any time soon.

The drought has depressed profits in the bush, but with recent rains, the prospect of a prolonged drought has eased. Elders, Select Harvest, and Australian Agriculture are cheap and well-positioned to participate in a recovery.

In healthcare, an acute global shortage of plasma-derived IG (immunoglobulin) puts CSL Ltd in the box seat. The Seqirus flu business it bought from Novartis is also hitting its straps and is looking at strong growth in the next few years at least. Cochlear has lost significant share in cochlear implants, having trailed in the launch of an MRI ready device. In our view, investors are too confident in the company's ability to recover this lost share.

In staples, Woolworths continues to execute well while newly listed Coles has a long way to go, having underinvested in recent years. Elsewhere in the consumer sector, we like PointsBet an Australian based sports betting platform that is launching into multiple US states as sports betting is legalised.

We remain cautious on the major trading banks. Like their peers offshore, they will struggle in a deflationary environment. Fees and margins continue to come under pressure and credit growth is unlikely to reaccelerate given the scale of household indebtedness. We are excited by the management changes taking place at National Australia Bank (the largest position across our portfolios) and believe the market will underestimate the improvement here, as a seasoned banker takes the reins at a perennial underperformer. In Insurance, we are long QBE Limited which is benefiting from a hardening insurance cycle. We are more cautious on the domestic general insurers; Suncorp in particular has lost a lot of its share in the home and motor segments. The private health insurers are ridiculously valued and offer little growth. Steadfast Group continues to benefit from strong premium growth and ongoing consolidation within its agent network.

In diversified financials, we are cautious on Computershare - as interest rates fall, the margin it achieves on the cash float comes under pressure. It also has some serious headwinds in the UK while the best years of growth in mortgage servicing are behind us (margins also come under pressure as mortgage refinancing increases). Every investor is looking for exposure to undervalued infrastructure and the best way to play this is through the global leader in infrastructure finance - Macquarie Bank. The embedded profits in the asset management business only improve as bond yields fall, ensuring ongoing performance fees in the years ahead.

Elsewhere in the payments space, we continue to like Afterpay; the buy now pay later platform is scaling well-ahead of expectations in multiple countries. EML Payments will offer payment solutions to corporate bookmakers who launch in the US, as sports betting is legalised. It already has existing relationships with these key players in Australia and the UK, so it will follow its clients' success as the market opens.

In resources, the major diversified miners have rocketed higher along with iron ore prices. These companies have returned much of this windfall to investors as dividends, which has been well received. This may have run its course though, and recent events suggest the majors may have underinvested in recent years, with some struggling to sustain production. Gold is a good example of a sector that has been underinvested in. We can see the gold price moving higher in the medium term. As the yield on bonds fall (they are negative in many countries) the case for holding gold as a hedge against deflating fiat currencies improves. There has also been chronic underinvestment in reserve replacement, which sets us up for much higher prices in the longer term.

The energy sector has rallied on the back of supply disruptions in the Middle East. We suspect this will be short lived with the larger LNG producers struggling to recontract their LNG contracts on favourable terms. Woodside is challenged here, while Santos is less exposed and benefits from high east coast gas prices. Origin should also do better with the strong cash flows coming out of APLNG.

The share market continues to look grossly overvalued. On our valuation metrics, industrial shares are three standard deviations above historical valuation metrics - this is bubble territory. We retain a fully hedged position on this basis and will look to get short at the appropriate time to benefit from a falling market.

Justin Braitling

Chief Investment Officer
Watermark Funds Management

Company Profile

Investment Objective

The Company’s investment objective is to deliver superior returns with reduced market risk while returning a consistent stream of fully franked dividends to Shareholders.

Investment Philosophy

The Manager believes successful investing requires the following skills:

- An ability to evaluate the true worth of a business and the management charged with running it;
- An understanding of how and why a company’s shares come to be mispriced; and
- An appreciation of the risks that may undermine the investment case.

Employing these skills, the Manager believes the best investment opportunities arise when shares in strong, well managed companies can be purchased on attractive terms. These companies typically exhibit the following characteristics:

- A history of superior returns through the economic cycle;
- Management with a track record of creating and distributing value to shareholders; and
- Businesses with a capacity to grow.

Consistent with these same principles, in selecting shares to short sell the Manager looks to sell the shares of companies with weak fundamentals on occasions when they become overvalued.

Investment Process

The Manager's investment process is a fundamentally driven, security selection process based on sound investment ideas taken from the investment universe of listed Australian and international securities. A summary of the investment process is set out below.

Investment Universe

The universe from which investments can be selected comprises companies listed in Australia and on international exchanges. Following the Manager's announcement in January 2019, that it would withdraw from international investments, it is anticipated the Company's investment portfolio will typically be comprised entirely of securities listed in Australia and New Zealand. The Manager may use international investments in specific circumstances, where it is seeking to hedge exposure to a Company, which derives a significant amount of its revenues outside Australia.

Security Selection

Investment ideas come from monitoring economic and industry trends as well as extensive contact with company management and industry sources.

Once identified, investment opportunities are screened to ensure they are of an investment grade. A full qualitative assessment of the proposed investment is completed to establish whether the business is of a suitable quality and attractively priced.

Qualitative Review

Once a suitable investment opportunity has been identified, a full review of financial performance will be completed. This is usually followed by a meeting with management to further develop an understanding of the business and the management philosophy. Where possible, representatives of the Manager will also meet with suppliers, regulators, competitors and customers to gauge the competitive environment.

Short Selling

Short selling is an important part of the investment strategy employed by the Manager. It is intended that approximately 40 - 60% of the Company's balance sheet will be funded from the proceeds of short sales.

The Manager employs a similar security selection process as above, but is looking for the opposite qualities in companies to borrow and sell. The Manager believes the best "shorting" opportunities are found in poorly managed companies with weak fundamentals where the shares in those companies can be sold for more than they are worth.

When targeting companies to borrow and sell (short), the Manager will target:

- A history of inferior returns.
- Management with a poor track record.
- Businesses operating in highly competitive industries that are struggling to grow.
- Securities which are expensive on a range of valuation measures.

Portfolio Construction

Unlike a traditional fund, the Manager constructs two portfolios, a long and a short portfolio with the weighting of each investment in each portfolio loosely correlated with the level of conviction around individual investment ideas.

This process ensures the Manager constructs portfolios around the best individual investment ideas, with the highest conviction, while retaining a bias in favour of good, well managed companies to buy (long), and weaker businesses to sell (short).

The relative size of the two portfolios is a consequence of the quantity and quality of investment ideas the manager can identify to buy and sell. Macroeconomic and sector research will influence the overall weighting of each investment, along with sector weights and the size of the two portfolios.

The relative size of the long and short portfolios will determine the net market exposure. The larger the short portfolio relative to the long portfolio the lower will be the net market exposure and the higher the cash weighting. If the portfolios are of equal size the fund is market neutral with no net market exposure. The investment process allows the manager the scope to pursue the full range of market risk settings. The fund can be fully invested, market neutral, net short or anywhere in between.

Investments at Market Value

Household & Personal Products		
BWX Limited	1,295,768.25	0.72%
	1,295,768.25	**0.72%**
Consumer Services		
Aristocrat Leisure Limited	2,748,272.64	1.52%
Downer EDI Ltd	4,097,075.96	2.27%
Flight Centre Travel Group Limited	4,023,494.25	2.22%
Pointsbet Holdings Limited	2,981,527.50	1.65%
Smartgroup Corporation Limited	194,764.02	0.11%
	14,045,134.37	**7.76%**
Media		
Nine Entertainment Co. Holdings Limited	2,568,001.88	1.42%
	2,568,001.88	**1.42%**
Retailing		
Baby Bunting Group Limited	3,150,813.60	1.74%
	3,150,813.60	**1.74%**
Food Beverage & Tobacco		
Australian Agricultural Company Ltd	1,255,243.25	0.69%
Elders Limited	4,356,830.43	2.41%
Elixinol Global Limited	1,090,200.00	0.60%
Graincorp Limited	1,279,240.79	0.71%
Select Harvests Limited	1,654,413.75	0.91%
	9,635,928.22	**5.33%**
Energy		
Cooper Energy Limited	2,691,337.86	1.49%
Caltex Australia Ltd	1,366,125.75	0.76%
Infratil Limited	4,194,854.28	2.32%
Santos Ltd	4,980,482.64	2.75%
Senex Energy Limited	1,553,435.98	0.86%
Woodside Petroleum Limited	2,391,433.56	1.32%
Z Energy Limited	1,431,816.39	0.79%
	18,609,486.46	**10.29%**
Banks		
National Australia Bank Limited	14,475,747.04	8.00%
Westpac Banking Corporation	6,148,703.24	3.40%
	20,624,450.28	**11.40%**
Diversified Financials		
AUB Group Limited	1,375,261.20	0.76%
Credible Labs Inc	1,268,590.22	0.70%
Dexus	2,737,287.30	1.51%
EML Payments Limited	1,472,295.12	0.81%
Macquarie Group Limited	1,920,347.85	1.06%
	8,773,781.69	**4.85%**
Insurance		
Insurance Australia Group Ltd	4,859,101.94	2.69%
Steadfast Group Ltd	2,898,793.17	1.60%
	7,757,895.11	**4.29%**
Health Care Equipment & Services		
Blackmores Limited	82,087.83	**0.05%**
Integral Diagnostics Limited	903,699.96	0.50%
Resmed Inc	2,525,638.32	1.40%
Sonic Healthcare Limited	3,184,195.80	1.76%
	6,695,621.91	**3.70%**
Pharmaceuticals & Biotechnology		
CSL Limited	8,596,990.00	4.75%
	8,596,990.00	**4.75%**
Capital Goods		
Seven Group Holdings Ltd	2,611,583.07	1.44%
	2,611,583.07	**1.44%**
Commercial & Professional Services		
ALS Limited	3,385,442.88	1.87%
Seek Limited	1,654,394.60	0.91%
	5,039,837.48	**2.79%**
Food and Drug Retailing		
Woolworths Group Limited	7,854,276.03	4.34%
	7,854,276.03	**4.34%**
Transportation		
Atlas Arteria	4,960,760.00	2.74%
Qube Holdings Limited	3,929,090.56	2.17%
	8,889,850.56	**4.91%**
Software & Services		
Afterpay Touch Group Limited	2,991,176.91	1.65%
Bravura Solutions Limited	1,240,408.08	0.69%
Sezzle Inc	604,607.60	0.33%
Xero Limited	5,175,938.88	2.86%
	10,012,131.47	**5.54%**
Materials		
BHP Group Limited	4,678,533.72	2.59%
Coronado Global Resources Inc	4,225,486.98	2.34%
Evolution Mining Limited	2,040,083.24	1.13%
Fletcher Building Ltd	2,472,554.06	1.37%
James hardie Industries Plc	4,501,389.20	2.49%
Newcrest Mining Limited	2,564,115.30	1.42%
Oz Minerals Limited	2,834,407.79	1.57%
Rio Tinto Limited	2,641,522.08	1.46%
St Barbara Limited	1,873,958.94	1.04%
Sandfire Resources NL	1,322,867.22	0.73%
	29,154,918.53	**16.12%**
Real Estate		
Centuria Industrial Reit Plct	169,475.04	0.09%
Cromwell Property Group Placement	1,110,106.31	0.61%
Goodman Group	2,651,487.39	1.47%
Growthpoint Properties Australia Plct	438,240.28	0.24%
Shopping Centres Australasia Property Group	3,744,384.32	2.07%
	8,113,693.34	**4.49%**
Telecommunication Services		
Chorus Limited	864,503.04	0.48%
Telstra Corporation Limited	2,570,175.30	1.42%
TPG Telecom Limited	3,198,445.32	1.77%
Vocus Group Limited	820,102.92	0.45%
	7,453,226.58	**4.12%**
Total Long Portfolio	**180,883,388.83**	**100.00%**
Total Short Portfolio	**(177,769,567.79)**	

Corporate Governance Statement

As an ASX-listed company, Australian Leaders Fund Ltd ("ALF") and its directors are committed to responsible and transparent financial and business practices to protect and advance shareholders' interests. The Company's strong corporate governance practices are based on the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations which are complemented by the Company's core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in ALF's Corporate Governance section http://wfunds.com.au/fund/australian-leaders-fund/corporate-governance/.

Directors' Report

The Directors present their report together with the financial statements of Australian Leaders Fund Limited ("the Company") for the year ended 30 June 2019.

Directors

The following persons were directors of Australian Leaders Fund Limited during the financial year and up to the date of this report:

Justin Braitling (Chairman)
Geoffrey Wilson (Non-Executive Director)
John Abernethy (Non-Executive Director)
Julian Gosse (Non-Executive Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

During the financial year, the principal activities of the Company were making investments in listed companies.

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

Dividends

Dividends paid to members since the end of the previous financial year were as follows:

	Dividend Rate	Total Amount	Date of Payment	% Franked
2018 Final Dividend	$0.02	$5,352,175	14/09/2018	100
2019 Interim Dividend	$0.02	$5,053,027	29/03/2019	100

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final partially franked ordinary dividend of 2.5 cents per fully paid share with an ex date of 18 November 2019 and a record date of 19 November 2019 to be paid on 29 November 2019 out of the profits reserve.

Review of operations

Information on the operations and financial position of the Company and its business strategies and prospects is set out in the review of operations and activities on pages 4 to 9 of this Annual Report .

The loss from ordinary activities after income tax amounted to $13,491,426 (2018: $6,874,008 loss).

The net tangible asset backing for each ordinary share as at 30 June 2019 amounted to $1.14 per share (2018: $1.21 per share). The equivalent asset backing before tax was $1.15 per share (2018: $1.21 per share).

The gross portfolio value decreased 5.9% over the financial year (2018: decreased 1.1%) while the All Ordinaries Accumulation Index increased by 11.0% (2018: 13.7%), representing an underperformance of 16.9% (2018: 14.8%). After deducting costs in funding the balance sheet, along with management fees and other expenses, the fund reported a negative 7.2% return for the year (2018: negative 2.3%).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 and the Chief Investment Officer's Report on page 4 of the Annual Report.

Financial Position

The net asset value of the Company for the current financial year ended was $276,639,372 (2018: $325,387,876).

Significant changes in the state of affairs

As a measure to preserve value for shareholders the board announced on 6 November 2018 the approval of an on-market buy back of up to 10% of the Company's fully paid ordinary shares up to a maximum of 26,262,468 shares to be bought back in a 12-month period commencing 6 November 2018. As at 30 June 2019, 26,028,799 shares have been bought back.

Having progressively reduced the Company's exposure to international shares throughout 2018, the Investment Manager announced on 20 January 2019 that it would withdraw from investments in global equities and re-focus on the Australian share market.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2019.

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

The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

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

Justin Braitling *Chairman* Age 52

Experience and expertise
Justin Braitling has over 25 years' experience in investing in Australian and international companies. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by InTech.

Justin Braitling has been a Director of the Company since October 2003 of which he became Chairman in February 2007.

Other current directorships
Justin Braitling is the sole Director of the investment management company, Watermark Funds Management Pty Limited.

Former directorships in last 3 years
Justin Braitling was a Director of Watermark Market Neutral Fund Limited and Watermark Global Leaders Fund Limited which were delisted on 29 April 2019.

Special responsibilities
Chairman of the Board.

Interests in shares and options
Details of Justin Braitling's interests in shares of the Company are included later in this report.

Interests in contracts
Details of Justin Braitling's interests in contracts of the Company are included later in this report.

Geoffrey Wilson AO Non-Executive Director Age 61

Experience and expertise
Geoffrey Wilson has over 39 years' experience in the Australian and international securities industry. He holds a Bachelor of Science Degree, a Graduate Management Qualification and is a Fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australia.

Geoffrey Wilson has been a Director of the Company since October 2003 and was Chairman from this time until February 2007.

Other current directorships
Geoffrey Wilson is the Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation Limited. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Children's Music Foundation, Australian Fund Managers Foundation, Global Value Fund Limited (appointed April 2014), Century Australia Investments Pty Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Hearts and Minds Investments Limited (appointed September 2018), Wealth Defender Equities Pty Limited (appointed October 2018), Wollongong 2022 Limited (appointed March 2019), and a Member of the Second Bite NSW Advisory Committee. He is the founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Former directorships in last 3 years
Geoffrey Wilson resigned as a director of Clime Capital Limited in March 2018.

Information on directors (continued)

Special responsibilities
Member of the Audit Committee.

Interests in shares and options
Details of Geoffrey Wilson’s interests in shares of the Company are included later in this report.

Interests in contracts
Details of Geoffrey Wilson’s interests in contracts of the Company are included later in this report.

John Abernethy Non-Executive Director Age 60

Experience and expertise
John Abernethy has over 35 years experience in funds management and corporate advisory. He holds a Bachelor of Commerce and Bachelor of Laws (BCom/LLB) from the University of New South Wales. He spent ten years at NRMA Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996.

John Abernethy has been a Director of the Company since November 2003.

Other current directorships
John Abernethy is the Chairman of Clime Capital Limited. He is a Director of Clime Investment Management Limited, Jasco Holdings Limited, WAM Research Limited and Clime Private Limited

Former directorships in last 3 years
John Abernethy resigned from WAM Active Limited in February 2018, Watermark Market Neutral Fund Limited and Watermark Global Leaders Fund Limited in April 2019.

Special responsibilities
Member of the Audit Committee.

Interests in shares and options
Details of John Abernethy’s interests in shares of the Company are included later in this report.

Interests in contracts
John Abernethy has no interests in contracts of the Company.

Julian Gosse Non-Executive Director Age 69

Experience and expertise
Julian Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He has been involved in the establishment, operation and ownership of several small businesses.

Julian Gosse has been a Director of the Company since October 2003.

Other current directorships
Julian Gosse is a Director of WAM Research Limited (appointed June 2003) and Clime Capital Limited (appointed November 2003).

Former directorships in last 3 years
Julian Gosse resigned from Iron Road Limited as of March 2018. Julian has not held any other directorships of listed companies within the last three years.

Special responsibilities
Chairman of the Audit Committee.

Interests in shares and options
Details of Julian Gosse’s interests in shares of the Company are included later in this report.

Information on directors (continued)

Interests in contracts
Julian Gosse has no interests in contracts of the Company.

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 2019, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Meetings of committees Audit	
	A	B	A	B
Justin Braitling	4	4	*	-
Geoffrey Wilson	4	4	5	5
John Abernethy	4	4	5	5
Julian Gosse	3	4	4	5

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
* Not a member of the relevant committee

Remuneration report (audited)

This report details the nature and amount of remuneration for key management personnel of Australian Leaders Fund Limited in accordance with the *Corporations Act 2001.*

The Board from time to time determines remuneration of Non-Executive Directors within the maximum amount approved by the shareholders. Non-Executive Directors are not entitled to any other remuneration.

Fees and payments to Non-Executive Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are set at a maximum of $140,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate.

Remuneration report (audited) (continued)

Details of remuneration

The following tables show details of the remuneration received by key management personnel of the Company for the current and previous financial year.

2019	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Justin Braitling	9,133	867	10,000
Geoffrey Wilson	9,133	867	10,000
John Abernethy	31,963	3,037	35,000
Julian Gosse	35,000	-	35,000
Total key management personnel compensation	**85,229**	**4,771**	**90,000**

2018	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Justin Braitling	9,133	867	10,000
Geoffrey Wilson	9,133	867	10,000
John Abernethy	31,963	3,037	35,000
Julian Gosse	35,000	-	35,000
Total key management personnel compensation	**85,229**	**4,771**	**90,000**

Director Related Entity Remuneration

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

Watermark Funds Management Pty Limited is a Director associate entity and has been appointed to manage the investment portfolio of Australian Leaders Fund Limited. Watermark Funds Management Pty Limited operates a funds management business.

In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1% p.a. (plus GST) of net investment assets amounting to $2,929,221 net of reduced input tax credits (2018: $3,269,471). As at 30 June 2019, the balance payable to the manager was $233,081(2018: $284,257).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount of the increase in the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

For the period ended 30 June 2019, in its capacity as manager, Watermark Funds Management Pty Limited was paid no performance fees (2018: nil). As at 30 June 2019, the balance payable to the manager was nil (2018: nil).

Remuneration report (audited) (continued)

Details of remuneration (continued)

Director Related Entity Remuneration (continued)

Under an Investment Services Agreement, Watermark Funds Management Pty Limited pays 25% of all management and performance fees to Boutique Asset Management, a company 80% owned by entities associated with Geoffrey Wilson.

These amounts are in addition to the above Directors remuneration.

Since the end of the previous financial year, 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 paid by the Company. Watermark Funds Management Pty Limited, the investment manager of the Company, remunerated Justin Braitling as a Director of the Company during the financial year. The 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 the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

Director	Position	Balance as at 27 August 2018	Acquisitions	Disposals	Balance as at 27 September 2019
Justin Braitling	Chairman	2,223,534	1,971,833	-	4,195,367
Geoffrey Wilson	Non-Executive Director	1,328,847	-	-	1,328,847
John Abernethy	Non-Executive Director	10,000	-	-	10,000
Julian Gosse	Non-Executive Director	-	-	-	-
		3,562,381	**-**	**-**	**3,562,381**

2018

Director	Position	Balance as at 31 August 2017	Acquisitions	Disposals	Balance as at 27 August 2018
Justin Braitling	Chairman	1,281,894	1,070,000	128,360	2,223,534
Geoffrey Wilson	Non-Executive Director	1,000,000	328,847	-	1,328,847
John Abernethy	Non-Executive Director	10,000	-	-	10,000
Julian Gosse	Non-Executive Director	-	-	-	-
		2,291,894	**1,398,847**	**128,360**	**3,562,381**

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 year ended 30 June 2019 and 30 June 2018.

End of remuneration report

Insurance and indemnification of officers and auditors

(a) Insurance of officers

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.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

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.*

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the services disclosed in Note 20 did not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

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 22.

Rounding of amounts

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the ASIC relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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

Justin Braitling
Chairman

Sydney
27 September 2019

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Sydney NSW 2000

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Auditor's Independence Declaration
To the Directors of Australian Leaders Fund Limited
ABN 64 106 845 970

In relation to the independent audit for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

C I Chandran
Partner

Pitcher Partners
Sydney

27 September 2019

Statement of Comprehensive Income

	Notes	Year ended 2019 $	2018 $
Investment income from ordinary activities			
Net (losses)/gains on investments		**(12,846,923)**	2,973,476
Dividends and trust distributions		**7,097,048**	9,175,431
Interest		**7,417,638**	8,806,045
Other income		**-**	11,636
		1,667,763	20,966,588
Expenses			
Management fees	22(b)	**(2,929,221)**	(3,269,471)
Brokerage expense		**(3,233,191)**	(3,815,191)
Short dividend expense		**(9,509,287)**	(12,521,451)
Interest expense		**(4,320,841)**	(6,184,066)
Stock loan fees		**(1,500,993)**	(1,789,694)
Accounting fees		**(122,226)**	(133,595)
Share registry fees		**(191,284)**	(198,202)
Tax fees		**(13,650)**	(57,970)
Directors' fees	19(a)	**(90,000)**	(90,000)
ASX fees		**(77,886)**	(81,709)
Audit fees	20	**(43,724)**	(45,056)
Other expenses		**(201,164)**	(182,210)
		(22,233,467)	(28,368,615)
(Loss) before income tax		**(20,565,704)**	(7,402,027)
Income tax benefit	7	**7,074,278**	528,019
(Loss) for the year		**(13,491,426)**	(6,874,008)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss) for the year		**(13,491,426)**	(6,874,008)
		Cents	Cents
(Loss) per share for (loss) attributable to the ordinary equity holders of the Company:			
Basic (loss) per share	25	**(5.26)**	(2.53)
Diluted (loss) per share	25	**(5.26)**	(2.53)

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

Statement of Financial Position

	Notes	At **2019** **$**	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**249,034,761**	273,626,097
Trade and other receivables	9	**31,604,510**	23,507,653
Financial assets at fair value through profit or loss	10	**180,883,389**	309,152,937
Current tax assets		**3,123,540**	2,573,217
Total current assets		**464,646,200**	608,859,904
Non-current assets			
Deferred tax assets	12	**16,795,294**	8,415,180
Total non-current assets		**16,795,294**	8,415,180
Total assets		**481,441,494**	617,275,084
LIABILITIES			
Current liabilities			
Trade and other payables	13	**25,676,081**	21,178,417
Derivative financial instruments	11	**-**	87,300
Financial liabilities at fair value through profit or loss	14	**177,769,567**	270,570,853
Total current liabilities		**203,445,648**	291,836,570
Non-current liabilities			
Deferred tax liabilities	15	**1,356,474**	50,638
Total non-current liabilities		**1,356,474**	50,638
Total liabilities		**204,802,122**	291,887,208
Net assets		**276,639,372**	325,387,876
EQUITY			
Issued capital	16	**310,809,004**	335,660,880
Profits reserve	17(a)	**325,304**	4,880,272
Accumulated losses	17(b)	**(34,494,936)**	(15,153,276)
Total equity		**276,639,372**	325,387,876

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

Statement of Changes in Equity

	Notes	Issued capital $	Profits reserve $	Accumulated losses $	Total $
Balance at 1 July 2017		351,356,627	4,476,918	(7,875,914)	347,957,631
Profit for the year		-	-	(6,874,008)	(6,874,008)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**(6,874,008)**	**(6,874,008)**
Transactions with owners in their capacity as owners:					
On market buy back		(4,794,790)	-	-	(4,794,790)
Transfer to profits reserve	17	-	403,354	(403,354)	-
Return of capital		(10,900,957)	-	-	(10,900,957)
		(15,695,747)	403,354	(403,354)	(15,695,747)
Balance at 30 June 2018		**335,660,880**	**4,880,272**	**(15,153,276)**	**325,387,876**
Balance at 1 July 2018		335,660,880	4,880,272	(15,153,276)	325,387,876
Loss for the year		-	-	(13,491,426)	(13,491,426)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**(13,491,426)**	**(13,491,426)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	18	-	(10,405,202)	-	(10,405,202)
On market buy back		(24,851,876)	-	-	(24,851,876)
Transfer to profits reserve	17	-	5,850,234	(5,850,234)	-
		(24,851,876)	(4,554,968)	(5,850,234)	(35,257,078)
Balance at 30 June 2019		**310,809,004**	**325,304**	**(34,494,936)**	**276,639,372**

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

Statement of Cash Flows

	Notes	Year ended 2019 $	2018 $
Cash flows from operating activities			
Purchase of financial assets		**(1,214,619,104)**	(1,141,516,594)
Proceeds from sale of financial assets		**1,341,602,192**	1,308,924,569
Payments for settlements of financial liabilities		**(1,142,628,866)**	(1,229,992,173)
Proceeds from re-purchase of financial liabilities		**1,034,621,500**	1,046,203,725
Interest received		**7,647,180**	8,647,575
Interest paid		**(4,624,602)**	(6,055,830)
Dividends and trust distributions received		**7,496,432**	8,187,865
Dividends paid on short stocks		**(8,953,934)**	(11,624,743)
Other revenue		**-**	11,636
Income taxes paid		**(550,323)**	(4,350,455)
Investment management fees paid		**(2,966,460)**	(3,288,005)
Brokerage expense		**(3,265,467)**	(3,822,654)
Stock loan fees		**(1,577,460)**	(1,760,438)
Payments for other expenses		**(1,030,973)**	(1,057,622)
Net cash inflow/(outflow) from operating activities	24	**11,150,115**	(31,493,144)
Net cash inflow from investing activities		**-**	-
Cash flows from financing activities			
Payments for shares bought back		**(24,851,876)**	(4,794,790)
Reduction of capital		**-**	(10,900,957)
Withholding tax paid on dividends		**(10,405,202)**	(72,370)
Net cash (outflow) from financing activities		**(35,257,078)**	(15,768,117)
Net (decrease) in cash and cash equivalents		**(24,106,963)**	(47,261,261)
Cash and cash equivalents at the beginning of the year		**273,626,097**	321,558,284
Effects of exchange rate changes on cash and cash equivalents		**(484,373)**	(670,926)
Cash and cash equivalents at end of year	8	**249,034,761**	273,626,097

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

1 General information

Australian Leaders Fund Limited (the "Company") is a listed public company incorporated and domiciled in Australia. The address of Australian Leaders Fund Limited's registered office is Level 23 Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000. The financial statements of Australian Leaders Fund Limited are for the year ended 30 June 2019. The Company is primarily involved in making investments, and deriving revenue and investment income from domestic and international listed securities and unit trusts.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Australian Leaders Fund Limited.

(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*. Australian Leaders Fund Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 September 2019.

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

The financial statements of the Australian Leaders Fund Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

AASB 9 Financial Instruments (and applicable amendments)

AASB 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model to be applied to financial assets held at amortised cost.

AASB 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Company's financial assets and financial liabilities continue to be classified as fair value through profit or loss (excluding trade receivables and trade payables). There was no material impact on adoption from the application of the new impairment model.

AASB 15 Revenue from Contracts with Customers

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

(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.

(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 January 2019, 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.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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 Australian Leaders Fund Limited's functional and presentation currency.

(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. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

(i) Investment income

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

(ii) Dividends and trust distributions

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iv) Other income

Other income is recognised when received or when the right to receive the payment is established. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Significant accounting policies (continued)

(d) Income tax

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

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 as well as unused tax losses.

Current and deferred income tax expense/(income) 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 and unused tax losses 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.

(e) 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(f) 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. Trades are recorded on trade date, and for equities normally settled within two business days.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

2 Significant accounting policies (continued)

(h) Financial assets and liabilities

The Company's investments are classified as at fair value through profit or loss. They comprise:

(i) Financial assets and liabilities at fair value through profit or loss

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

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 classified as current financial liabilities at fair value through profit or loss.

Dividends expense on short sales of securities, which have been classified at fair value through profit or loss, is recognised in the Statement of Comprehensive Income.

Recognition and derecognition

Purchases and sales of financial assets and 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. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial assets and liabilities at fair value excluding any transaction costs that are directly attributable to their acquisition.

Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any allowance for expected credit losses.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as net gains/(loss) from investments in the Statement of Comprehensive Income.

Determination of Fair Value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 4.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last sale price as a basis of measuring fair value.

2 Significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

Derivatives
Throughout the year, the Company held derivative instruments in the form of futures. Derivatives are classified as at fair value through profit or loss unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current. The Company did not hold any derivatives as at 30 June 2019.

Derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss. All derivatives in a net payable position (negative fair value) are reported as financial liabilities at fair value through profit or loss.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Interest expenses

Interest expenses are recognised as expenses in the year in which they are incurred using the effective interest rate method.

(k) 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.

(l) Profits reserve

A profits reserve has been created representing an amount allocated from current and retained earnings that is preserved for future dividend payments.

(m) 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.

It is the Directors’ policy to only pay fully franked dividends and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, unfranked income and net realised gains.

2 Significant accounting policies (continued)

(n) 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
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(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.

(o) 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.

(p) Rounding of amounts

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the ASIC relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

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

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as a Listed Investment Company that invests, the Company can never be free of market risk as it invests its capital in securities which are not risk free - the market price of these securities can fluctuate.

(i) Price risk

Exposure

The Company is exposed to currency risk arising from its investments denominated other than in Australian dollars. The Investment Manager actively manages the Company's foreign exchange risk through its treasury management framework.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

The table below analyses the Company's concentration of price risk by region.

2019	**Long Exposure**	**%**	**Short Exposure**	**%**	**Net Exposure**
Australia	172,784,164	95.52%	(172,650,962)	97.12%	133,202
New Zealand	8,099,225	4.48%	(5,118,605)	2.88%	2,980,620
Other	-	-	-	-	-
Total	**180,883,389**	**100.00%**	**(177,769,568)**	**100.00%**	**3,113,821**

2018	**Long Exposure**	**%**	**Short Exposure**	**%**	**Net Exposure**
Australia	244,470,163	79.08%	(201,833,810)	74.57%	42,636,353
North America	27,526,190	8.90%	(36,623,287)	13.53%	(9,097,097)
Europe	37,156,584	12.02%	(32,201,056)	11.90%	4,955,528
Total	309,152,937	100.00%	(270,658,153)	100.00%	38,494,784

The North American region includes the United States and Canada. Europe includes countries in mainland Europe and the United Kingdom.

As at 30 June 2019, three securities represented over 5% of the long or short investment portfolio (30 June 2018: one security).

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in other 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 per cent:

3 Financial risk management (continued)

(a) Market risk (continued)

	Impact on post-tax (loss)/profit	
	2019	2018
	$	$
Decrease 5%	**(108,984)**	(1,347,317)
Increase 5%	**108,984**	1,347,317
Decrease 10%	**(217,967)**	(2,694,635)
Increase 10%	**217,967**	2,694,635

Post-tax (loss)/profit 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 portfolio position was $3,113,822 long (2018: $38,494,784 long) therefore there is a small price risk impact on post-tax profit (2018: post-tax profit).

(i) Cash flow and fair value interest rate risk

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 Company manages interest rate risk by ensuring that its liabilities are dynamically priced, based on official, floating inter-bank rates, while using an active treasury management program to maximise the interest return on its cash assets.

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 2019

	Floating interest rate	**Non- interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash and cash equivalents	**249,034,761**	**-**	**249,034,761**
Trade and other receivables	**-**	**31,604,510**	**31,604,510**
Financial assets at fair value through profit or loss	**-**	**180,883,389**	**180,883,389**
Current tax assets	**-**	**3,123,540**	**3,123,540**
	249,034,761	**215,611,439**	**464,646,200**
Financial liabilities			
Trade and other payables	**-**	**(25,676,081)**	**(25,676,081)**
Financial liabilities at fair value through profit or loss	**-**	**(177,769,567)**	**(177,769,567)**
	-	**(203,445,648)**	**(203,445,648)**
Net exposure to interest rate risk	**249,034,761**	**12,165,791**	**261,200,552**

3 Financial risk management (continued)

(a) Market risk (continued)

At 30 June 2018

	Floating interest rate $	Non-interest bearing $	Total $
Financial assets			
Cash and cash equivalents	273,626,097	-	273,626,097
Trade and other receivables	-	23,507,653	23,507,653
Financial assets at fair value through profit or loss	-	309,152,937	309,152,937
Current tax assets	-	2,573,217	2,573,217
	273,626,097	335,233,807	608,859,904
Financial liabilities			
Trade and other payables	-	(21,178,417)	(21,178,417)
Financial liabilities at fair value through profit or loss	-	(270,658,153)	(270,658,153)
	-	(291,836,570)	(291,836,570)
Net exposure to interest rate risk	273,626,097	43,397,237	317,023,334

Sensitivity

The following table analysis is based on the assumption that the interest rates had increased by 75 or decreased by 75 basis points from the year end rates with all other variables held constant, mainly as a result of higher/lower interest income from cash and cash equivalents, at reporting date:

	Impact on post-tax (loss)/profit	
	2019	2018
	$	$
Decrease 75 basis points	**(309,933)**	(439,037)
Increase 75 basis points	**309,933**	439,037

(ii) Foreign exchange risk

Exposure

The Company operates internationally and holds both monetary and non-monetary assets 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 net value of monetary assets and liabilities denominated in other currencies that is exposed to foreign exchange risk was $13 (2018: $1,946,713). The risk is measured using sensitivity analysis. The Investment Manager monitors the Company's currency positions on a daily basis.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

The following table analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% (2018: 10%) against the foreign currencies to which the Company is exposed to at reporting date.

	Impact on post-tax (loss)/profit	
	2019	2018
	$	$
Decrease 10%	**(1)**	(136,270)
Increase 10%	**1**	136,270

(b) Credit risk

The standard defines this 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 Fund gave to the counterparty. The collateral on securities sold short is set at 100% (2018: 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 allowance for expected credit losses of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents, Note 9 for trade and other receivables and Note 10 for financial assets at fair value through profit or loss. None of these assets are over-due or considered to be impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors its cash-flow requirements daily in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	**Less than 1 month**	**More than 1 month**	**Total contractual undiscounted cash flows**
At 30 June 2019	**$**	**$**	**$**
Non-derivatives			
Trade and other payables	**25,676,081**	**-**	**25,676,081**
Financial liabilities at fair value through profit or loss	**177,769,567**	**-**	**177,769,567**
Total non-derivatives	**203,445,648**	**-**	**203,445,648**
Derivatives			
Net settled (equity swaps)	**-**	**-**	**-**
Futures	**-**	**-**	**-**
Total derivatives	**-**	**-**	**-**

Contractual maturities of financial liabilities	**Less than 1 month**	**More than 1 month**	**Total contractual undiscounted cash flows**
	$	**$**	**$**
At 30 June 2018			
Non-derivatives			
Trade and other payables	21,178,417	-	21,178,417
Financial liabilities at fair value through profit or loss	270,570,853	-	270,570,853
Total non-derivatives	291,749,270	-	291,749,270
Derivatives			
Futures	87,300	-	87,300
Total derivatives	87,300	-	87,300

4 Fair value measurements

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

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)
- Derivative financial instruments

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

(a) Fair value hierarchy

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) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June.

Recurring fair value measurements **At 30 June 2019**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Equity securities	**172,179,556**	**604,608**	**-**	**172,784,164**
International equity securities	**8,099,225**	**-**	**-**	**8,099,225**
Total financial assets	**180,278,781**	**604,608**	**-**	**180,883,389**
Financial liabilities				
Equity securities sold short	**(172,650,962)**	**-**	**-**	**(172,650,962)**
International equity securities sold short	**(5,118,605)**	**-**	**-**	**(5,118,605)**
Total financial liabilities	**(177,769,567)**	**-**	**-**	**(177,769,567)**

Recurring fair value measurements At 30 June 2018	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Equity securities	244,470,163	-	-	244,470,163
International equity securities	64,682,774	-	-	64,682,774
Total financial assets	309,152,937	-	-	309,152,937
Financial liabilities				
Equity securities sold short	(201,746,510)	-	-	(201,746,510)
International equity securities sold short	(68,824,343)	-	-	(68,824,343)
Domestic futures	(87,300)	-	-	(87,300)
Total financial liabilities	(270,658,153)	-	-	(270,658,153)

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets and liabilities have been based on the last close prices at the end of the reporting year, excluding transaction costs.

One security is included in Level 2 of the hierarchy and is in relation to an initial public offering in which the Company has subscribed. These investments are not listed on the Australian Securities Exchange as at year end and therefore represent investments not in an active market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers without any deduction for estimated future selling costs.

There were no transfers between levels for recurring fair value measurements during the year.

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.

(ii) 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

(a) Significant 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.

(b) 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

Based on the Company's history of realised gains the directors believe that it is probable that the Company will realise taxable gains in the future against which the current and prior year realised losses can be utilised.

6 Segment information

The Company has only one reportable segment. The Company operates in one industry being the securities industry, deriving revenue from dividend 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 2019 $	2018 $
Deferred tax on temporary differences	**2,382,536**	3,950,245
Tax on permanent differences	**(9,456,814)**	(3,942,836)
Adjustments for current tax of prior periods	**-**	(535,428)
	(7,074,278)	(528,019)
Income tax benefit is attributable to:		
Loss from continuing operations	**(7,074,278)**	(528,019)

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

	Year ended 2019 $	2018 $
(Loss) from continuing operations before income tax (benefit)	**(20,565,704)**	(7,402,027)
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	**(6,169,711)**	(2,220,608)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	**(1,336,870)**	(1,417,760)
Imputation credit gross up	**401,060**	425,328
Change in franked dividends not subject to tax	**(4,291)**	31,970
Foreign tax gross up on dividend income	**35,534**	(25,715)
Adjustments for current tax of prior periods	**-**	2,678,766
Income tax benefit	**(7,074,278)**	(528,019)

The applicable weighted average effective tax rates are as follows:	**(34.40)%**	(7.13)%

The negative effective tax rate in the current year is mainly due to losses realised, net of franking credits.

(c) Amounts recognised directly in equity

	Year ended 2019 $	2018 $
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:		
Current tax - (credited) directly to equity	**(17,744)**	(35,348)

8 Current assets - Cash and cash equivalents

	At	
	2019	2018
	$	$
Current assets		
Cash at bank	**249,034,761**	273,626,097

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	At	
	2019	2018
	$	$
Balances as above	**249,034,761**	273,626,097

These accounts are earning a floating interst rate of between 0.00% and 2.20% as at 30 June 2019 (2018: 0.00% and 2.20%).

(b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:

	Standard & Poor's Rating
Australia and New Zealand Banking Group Ltd	AA-
UBS AG Investment Bank	A+
National Australia Bank	AA-
Morgan Stanley	BBB+

9 Current assets - Trade and other receivables

	At	
	2019	2018
	$	$
Withholding tax receivable	**573,874**	553,955
Dividends and distributions receivable	**790,204**	1,209,507
Interest receivable	**468,148**	697,690
GST receivable	**189,554**	169,559
Unsettled trades	**29,582,730**	20,876,942
	31,604,510	23,507,653

Receivables are non-interest bearing and unsecured.

Fair value and credit risk

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

10 Current assets - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	At	
	2019	2018
	$	$
International listed equity securities	**8,099,225**	64,682,775
Australian listed equity securities	**172,179,556**	244,470,162
Other unlisted equity securities	**604,608**	-
Total securities	**180,883,389**	309,152,937

The market values of all investments as at 30 June 2019 are disclosed on page 12 of the Annual Report .
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 the purchase of securities during the financial year was 6,207 (2018: 4,068). Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was $6,876,646 (2018: $7,959,211).

(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.

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.

11 Derivative financial instruments (continued)

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.

		Fair values $	
2019	**Notional values $**	**Assets $**	**Liabilities $**
Futures	-	-	-
Total	-	-	-

2018	Notional values $	Assets $	Liabilities $
Futures	5,533,200	-	87,300
Total	5,533,200	-	87,300

12 Non-current assets - Deferred tax assets

	At	
	2019 $	2018 $
The balance comprises temporary differences attributable to:		
Capitalised share issue costs	**17,744**	35,348
Carry forward losses	**16,766,248**	7,309,433
Accrued expenses	**11,302**	10,395
Net unrealised losses of investments	**-**	1,060,004
	16,795,294	8,415,180

Movements	Total $
At 1 July 2017	8,463,674
Credited	
- to profit or loss	(48,494)
At 30 June 2018	8,415,180

Movements	**Total $**
At 1 July 2018	8,415,180
Debited	
- to profit or loss	8,380,114
At 30 June 2019	16,795,294

13 Current liabilities - Trade and other payables

	At	
	2019	2018
	$	$
Management fees payable	**233,081**	284,257
Unsettled trades	**24,322,617**	18,557,900
Interest payable	**257,626**	561,387
Other payables	**862,757**	1,774,873
	25,676,081	21,178,417

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

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

14 Current liabilities - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are all held-for-trading and include the following:

	At	
	2019	2018
	$	$
International listed equity securities sold short	**5,118,605**	68,824,343
Australian listed equity securities sold short	**172,650,962**	201,746,510
	177,769,567	270,570,853

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

	At	
	2019	2018
	$	$
The balance comprises temporary differences attributable to:		
Net unrealised gains on investments	**1,329,524**	-
Other temporary differences	**26,950**	50,638
	1,356,474	50,638

15 Non-current liabilities - Deferred tax liabilities (continued)

Movements

	Total $
At 1 July 2017	86,737
(Charged) to	
- profit or loss	(36,099)
At 30 June 2018	50,638

Movements

	Total $
At 1 July 2018	50,638
Credited to	
- profit or loss	1,305,836
At 30 June 2019	1,356,474

16 Issued capital

(a) Share capital

	Notes	**30 June 2019 Shares**	30 June 2018 Shares	**30 June 2019 $**	30 June 2018 $
Ordinary shares	16(b), 16(c)	**241,721,922**	267,750,721	**310,809,004**	335,660,880

(b) Movements in ordinary share capital

Details	**Notes**	**Number of shares**	**$**
Opening balance 1 July 2017		272,523,924	351,356,627
On-market buy back	16(e)	(4,773,203)	(4,794,790)
Return of capital		-	(10,900,957)
Balance 30 June 2018		267,750,721	335,660,880
Opening balance 1 July 2018		**267,750,721**	**335,660,880**
On-market buy back	16(e)	**(26,028,799)**	**(24,851,876)**
Balance 30 June 2019		**241,721,922**	**310,809,004**

16 Issued capital (continued)

(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) Dividend reinvestment plan

The Company has established a dividend reinvestment plan "DRP" under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount to the market price. The discount is determined from time to time and is capped at 3%.

The DRP is currently inactive due to the Company trading below market.

(e) Share buy-back

The Company announced a 12 months on-market share buy-back program on 6 November 2017. At its completion on 5 November 2018 the Company bought back 9,899,237 shares.

The Company announced a further 12 months on-market share buy-back program on 6 November 2018. Since its commencement the Company has bought back 26,028,799 shares.

(f) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence.

To achieve this the Board of Directors monitor 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 Reserves and accumulated losses

(a) Reserves

	At	
	2019	2018
	$	$
Profits reserve	**325,304**	4,880,272

This reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 2(l).

	At	
	2019	2018
	$	$
Movements:		
Opening balance	**4,880,272**	4,476,918
Transfer from current and retained earnings	**(4,554,968)**	403,354
Closing balance	**325,304**	4,880,272

(b) Accumulated losses

Movements in (accumulated losses) were as follows:

	At	
	2019	2018
	$	$
Opening balance	**(15,153,276)**	(7,875,914)
Net profit for the year	**(13,491,426)**	(6,874,008)
Transfer to profits reserve	**(5,850,234)**	(403,354)
Closing balance	**(34,494,936)**	(15,153,276)

18 Dividends

(a) Dividend rate

Dividends paid fully franked at 30% tax rate

	Dividend Rate	**Total Amount**	**Date of Payment**	**% Franked**
2018 Final	$0.02	$5,352,175	14/09/2018	100
2019 Interim	$0.02	$5,053,027	29/03/2019	100

18 Dividends (continued)

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since end of the financial year the Directors have recommended the payment of a final partially franked dividend of 2.5 cents per fully paid share with an ex date of 18 November 2019 and a record date of 19 November 2019 to be paid on 29 November 2019 out of the profits reserve.

(c) Dividend franking account

The franked portions of the final dividends recommended after 30 June 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2020.

	2019 **$**	2018 $
Opening balance of franking account	**4,029,232**	(1,743,968)
Franking credits on dividends received	**1,647,499**	1,642,178
Tax paid during the year	**3,123,540**	7,556,317
Tax refunded during the year	**(2,573,216)**	(3,200,876)
Franking credits utilised on ordinary dividends paid	**(4,459,371)**	-
Franking credits lost under 45 day rule	**(310,629)**	(224,419)
Closing balance of franking account	**1,457,055**	4,029,232
Adjustments for tax payable/refundable in respect of the current year's profits and the receipt of dividends	**(2,950,119)**	(2,405,926)
Adjusted franking account balance	**(1,493,064)**	1,623,306
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the period	**-**	(2,295,006)
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 - 30.0%)	**(1,493,064)**	(671,700)

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

19 Key management personnel disclosures

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 20.

(a) Key management personnel compensation

	Year ended 2019 $	2018 $
Directors fees paid		
Short-term employee benefits	**85,229**	85,229
Post-employment benefits	**4,771**	4,771
	90,000	90,000

There are no executives that are paid by the Company. The Manager remunerated Justin Braitling as a Director of the Manager during the financial year to 30 June 2019.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Australian Leaders 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.

2019 **Name**	**Balance at the start of the year**	**Net movement**	**Balance at end of the year**
Directors of Australian Leaders Fund Limited			
Ordinary shares			
Justin Braitling	2,223,534	1,971,833	4,195,367
Geoffrey Wilson	1,328,847	-	1,328,847
John Abernethy	10,000	-	10,000
Julian Gosse	-	-	-
	3,562,381	1,971,833	5,534,214

2018 Name	**Balance at the start of the year**	**Net movement**	**Balance at end of the year**
Directors of Australian Leaders Fund Limited			
Ordinary shares			
Justin Braitling	1,281,894	941,640	2,223,534
Geoffrey Wilson	1,000,000	328,847	1,328,847
John Abernethy	10,000	-	10,000
Julian Gosse	-	-	-
	2,291,894	1,270,487	3,562,381

20 Remuneration of auditors

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

Pitcher Partners

(i) Audit and other assurance services

	Year ended	
	2019	2018
	$	$
Audit and other assurance services		
Audit and review of financial statements	**43,724**	45,056
Total remuneration for audit and other assurance services	**43,724**	45,056
Taxation services		
Tax compliance services	**13,650**	57,970
Total remuneration	**57,374**	103,026

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

21 Contingencies

The Company had no contingent liabilities at 30 June 2019 (2018: nil).

22 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

(b) Transactions with other related parties

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

In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to $2,929,221 net of reduced input tax credits (2018: $3,269,471).

As at 30 June 2019, the balance payable to the Investment Manager was $233,081 (2018: $284,257).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

22 Related party transactions (continued)

(b) Transactions with other related parties (continued)

For the period ended 30 June 2019 in its capacity as manager, Watermark Funds Management Pty Limited performance fee net of reduced input tax credits was nil (2018: nil).

As at 30 June 2019, the balance payable to the Investment Manager was nil (2018: nil).

Under an Investment Services Agreement, Watermark Funds Management Pty Limited pays 25% of all management and performance fees to Boutique Asset Management Pty Ltd, a company owned 80% by entities associated with Geoffrey Wilson.

Since the end of the previous financial year, 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.

23 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 or economic entity in subsequent financial years.

24 Reconciliation of (loss) after income tax to net cash inflow/(outflow) from operating activities

(a) Reconciliation of (loss) after income tax to net cash inflow/(outflow) from operating activities

	Year ended	
	2019	2018
	$	$
(Loss) for the year	**(13,491,426)**	(6,874,008)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**35,380,962**	(37,936,916)
Effects of foreign currency exchange rate changes on cash and cash equivalents	**484,373**	670,926
Change in operating assets and liabilities:		
Increase/(decrease) in trade and other receivables	**(8,096,857)**	19,534,001
Decrease/(increase) in other current assets	**-**	36,382
Decrease/(increase) in deferred tax assets	**(8,380,114)**	48,494
Decrease in other liabilities	**-**	72,370
(Decrease)/increase in trade and other payables	**4,497,664**	(2,117,425)
Decrease in deferred tax liabilities	**1,305,836**	(36,099)
(Decrease)/increase in provision for income taxes payable	**-**	(2,317,652)
(Increase)/decrease in current tax asset	**(550,323)**	(2,573,217)
Net cash inflow/(outflow) from operating activities	**11,150,115**	(31,493,144)

25 Earnings per share

(a) Basic earnings per share

	Year ended	
	2019 **Cents**	2018 Cents
Basic earnings per share attributable to the ordinary equity holders of the Company	**(5.26)**	(2.53)

(b) Diluted earnings per share

	Year ended	
	2019 **Cents**	2018 Cents
Diluted earnings per share attributable to the ordinary equity holders of the Company	**(5.26)**	(2.53)

Diluted earnings per share is the same as basic earnings per share. As at 30 June 2019 and 30 June 2018, the Company had no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

(c) Weighted average number of shares used as denominator

	Year ended	
	2019 **Number**	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**256,583,768**	271,628,484
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**256,583,768**	271,628,484

In the opinion of the directors of Australian Leaders Fund Limited:

(a) the financial statements and notes set out on pages 23 to 52 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 2019 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.

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, and

(d) The Directors have given the declarations required by section 295A of the Corporations Act 2001 from the Manager, Watermark Funds Management Pty Limited, declaring that:
- (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
- (iii) the financial statements and notes for the financial year give a true and fair view.

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

Justin Braitling
Chairman

Sydney
27 September 2019

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Independent Auditor's Report
To the Members of Australian Leaders Fund Limited
ABN 64 106 845 970

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Leaders Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Australian Leaders Fund Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
ii. 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 (*"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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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 judgement, 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, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the matter***
Existence and Valuation of Financial Assets and Financial Liabilities ***Refer to Note 10: Financial assets at fair value through profit or loss, Note 11: Derivative Financial Instruments and Note 14: Financial liabilities at fair value through profit or loss***	
We focused our audit effort on the valuation and existence of the Company's financial assets and financial liabilities as they are its largest asset and liability and represent the most significant driver of the Company's Net Tangible Assets and Profits. The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in the market) or "level 2" (i.e. where key inputs to valuation are based on observable inputs).	Our procedures included, amongst others: ▪ Obtaining an understanding of and evaluating the investment management processes and controls; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters and confirmations from the Custodians or performing additional procedures; ▪ Obtaining confirmations of the investment holdings directly from the Custodians; ▪ Recalculating the Company's valuation of individual investment holdings using independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Key audit matter	***How our audit addressed the matter***
Accuracy, Completeness and Existence of Management and Performance Fees ***Refer to Note 13: Trade and other payables and Note 22 Related party transactions***	
We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments and key inputs. Adjustments include company dividends, tax payments, capital raisings, capital reductions and other relevant expenses. Key inputs include portfolio movements, index benchmarking and applying the correct set percentage in accordance with the Investment Management Agreement between the Company and the Investment Manager. In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.	Our procedures included, amongst others: ▪ Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; ▪ Testing of adjustments such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees; ▪ Testing of key inputs such as portfolio movements, application of the relevant index benchmarking, set percentage used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2019, 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.

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 controls 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 20 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Australian Leaders Fund Limited, for the year ended 30 June 2019, 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.

C I Chandran
Partner

Pitcher Partners
Sydney

27 September 2019

The Shareholder information set out below was applicable as at 31 August 2019.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares		
Holding	**No. of Shareholders**	**Shares**	**Percentage**
1 - 1000	430	182,271	0.08
1,001 - 5,000	1,075	3,417,615	1.42
5,001 - 10,000	1,172	9,276,591	3.86
10,001 - 100,000	3,655	116,149,684	48.36
100,001 and over	360	111,162,181	46.28
	6,692	240,188,342	100.00

There were x holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Ordinary shares**	
	Number held	**Percentage of issued shares**
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,469,475	3.53
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,175,720	2.99
MRS FAY MARTIN-WEBER	3,500,000	1.46
FIRST COVENANT PTY LTD <BRAITLING FAMILY A/C>	2,971,833	1.24
ZERO NOMINEES PTY LTD	1,850,000	0.77
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,609,462	0.67
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,536,190	0.64
AVANTEOS INVESTMENTS LIMITED <CLEARVIEW S/P A/C>	1,443,029	0.60
MR ROBERT FERGUSON & MS JENNIFER FERGUSON & MS RACHEL FERGUSON <TORRYBURN SUPER FUND A/C>	1,297,570	0.54
NEVILLE WARD SUPER PTY LIMITED <THE NW WARD SUPER FUND A/C>	1,284,829	0.53
JOHN GRICE PTY LTD <GRICE SUPER FUND A/C>	1,200,888	0.50
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,170,789	0.49
MR JOHN STEVEN PAGE & MRS GILLIAN KAY PAGE <PAGE EMPLOYEES S/F A/C>	1,165,291	0.48
JJ OPPERMAN SUPERANNUATION PTY LIMITED <OPPERMAN SUPER FUND A/C>	1,087,247	0.45
BURROWS INVESTMENTS PTY LTD	1,018,579	0.42
G W HOLDINGS PTY LTD <EDWINA A/C>	1,000,000	0.42
FIRST COVENANT PTY LTD <BRAITLING SUPER FUND A/C>	920,895	0.38
MR JOHN CHARLES PLUMMER	907,500	0.38
UBS NOMINEES PTY LTD	901,450	0.37
MRS THELMA JOAN MARTIN-WEBER	893,366	0.37
	41,404,113	17.23

C. Substantial holders

There are no substantial shareholders.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.