

ASX Release

2020 Financial Report

Monday, 31 August 2020

Absolute Equity Performance Fund Limited ACN 608 552 496 (ASX:AEG) (the **Company**) today announces its Preliminary Financial Report for the year ended 30 June 2020.

Investment operations for the year ended 30 June 2020 resulted in an operating profit before tax of \$28,996,359 (2019: loss of \$12,054,161) and an operating profit after tax of \$23,808,096 (2019: loss of \$9,111,146).

NTA backing for each ordinary share at 30 June 2020 after tax was \$1.19 (2019: \$1.04). NTA backing for each ordinary share at 30 June 2020 before tax was \$1.27 (2019: \$1.02).

As announced on 24 August 2020, the Board has determined a dividend of 2.6 cents per share. The dividend, which will be fully franked, traded ex-entitlement on 28 August 2020 and will be paid on 14 September 2020. The Dividend Re-investment Plan will not operate with respect to this dividend.

Closing date for the nomination of directors

In accordance with ASX Listing Rule 3.13.1, the Company advises that it is anticipating that the next Annual General Meeting will be held on Monday, 16th November 2020. An election of directors will be held at this AGM pursuant to ASX Listing Rule 14.5. If the meeting proceeds on this date, the closing date for the receipt of director nominations is Friday 25th September 2020. Any nominations must be received in writing no later than 5.00pm (Sydney time) on Friday 25th September 2020 at the Company's registered office.

This announcement has been authorised for release to ASX by the Board of Directors of the Company.

ENDS

For more information please contact:

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Company Secretary
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Absolute Equity Performance Fund Limited

ABN 17 608 552 496

**Appendix 4E - Preliminary Financial Report
for the year ended 30 June 2020**

Absolute Equity Performance Fund Limited
Appendix 4E - Preliminary Financial Report
For the year ended 30 June 2020

Preliminary Report

This preliminary report is for the reporting period from 1 July 2019 to 30 June 2020.

Results for Announcement to the Market *

| | 2020 | 2019 | up/ (down) % mv't | |
|---|------------|--------------|-------------------|--------|
| | \$ | \$ | \$ | |
| Revenue from ordinary activities | 48,603,871 | 5,234,203 | 43,369,668 | 828.58 |
| Profit/ (Loss) before tax for the year | 28,996,359 | (12,054,161) | 41,050,520 | 340.55 |
| Profit/ (Loss) from ordinary activities after tax attributable to members | 23,808,096 | (9,111,146) | 32,919,242 | 361.31 |

* All comparisons are for the year ended 30 June 2019.

Dividends

A fully franked final dividend of 2.5 cents per share and a fully franked special dividend of 1.5 cents per share in respect of the year ended 30 June 2019 were both paid on 11 October 2019.

A fully franked interim dividend of 2.5 cents per share was paid on 23 April 2020.

Subsequent to year end, the Company ("AEG") has declared a fully franked final dividend of 2.6 cents per share to be paid on 14 September 2020. The record date for entitlement of the final dividend is 31 August 2020 and the ex-dividend date is 28 August 2020.

Dividend Re-Investment Plan

The Company's Dividend Re-Investment Plan ("DRP") will not operate in relation to the final dividend.

Net Tangible Assets

| NTA per share | 30 June 2020 | 30 June 2019 |
|---------------|--------------|--------------|
| - before tax | \$1.27 | \$1.02 |
| - after tax | \$1.19 | \$1.04 |

Investment Strategy and Review¹

The Company's portfolio of investments delivered a return of 31.25% for the 12 months ended 30 June 2020.

Total shareholder return, as measured by share price movement and dividends paid over the course of the year, was 38.61%.

This year, the Company paid a fully franked dividend yield of 5.80% (up from 5.14% in FY2019), equivalent to a grossed-up yield of 8.29% (up from 7.35% in FY2019).

AEG remains a unique offering on the ASX and is not comparable with often highly directional strategies employed by some listed investment companies. Our Portfolio is market neutral and domestic in nature and offers an attractive diversification opportunity for investors.

The Investment Strategy seeks to limit market risk by constructing a long/short market neutral portfolio via a series of matching pairs of predominantly S&P/ASX100 companies. Company selection is based on fundamental analysis. The Portfolio is diversified and typically comprises 30 to 35 pairs of stocks. Company pairs are generally in similar industries or sectors, thus limiting the Portfolio's exposure to general market direction. The Investment Strategy produces returns that are uncorrelated with equities and has been able to profit in rising and falling markets.

¹ As at 30 June 2020

**Absolute Equity Performance Fund Limited
Appendix 4E - Preliminary Financial Report
For the year ended 30 June 2020 (continued)**

On Market Buy-back

On 17 June 2019, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 10.2 million ordinary shares within the next 12 months.

The Company appointed Morgans Financial Limited to act on behalf of the Company in relation to the share buy-back process and the buy-back commenced on 1 July 2019.

On 15 June 2020, the Company announced that the share buy-back period had been extended to 30 June 2021 unless ceased earlier at the Company's discretion or by the Company buying back the maximum number of shares.

Since 1 July 2020, a total of 57,108 shares have been bought back. The share buy-back programme remains in place and the Company will keep the market informed of the buy-back's progress in accordance with the ASX Listing Rules.

Non-Binding Proposal from Investment Manager

On 13 July 2020, the Company had received a non-binding proposal from Bennelong Long Short Equity Management Pty Limited ("the Company's Manager"). The proposal detailed an amalgamation of the Company and an unlisted managed investment scheme, Bennelong Market Neutral Fund; which is managed by the Company's Manager. The proposal is designed to eliminate the share price discount due to the difference between the Company's net tangible asset position and its current share price, and improving liquidity. The Company is currently considering the advantages and disadvantages of the proposal and Shareholders will be notified in due course.

Audit

This Appendix 4E is based on the 2020 Annual Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.



Marc Fisher
Chairman

Sydney
31 August 2020

Absolute Equity Performance Fund Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

Statement of Profit or Loss and Other Comprehensive Income

| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
|--|------|----------------------------|----------------------------|
| Investment income from ordinary activities | | | |
| Net realised (losses)/ gains on disposal of investments | | (3,428,989) | 140,264 |
| Net unrealised gains/ (losses) on fair value movement of investments | | 44,938,130 | (3,639,184) |
| Interest income received | | 325,261 | 1,231,939 |
| Dividend income received | | <u>6,769,469</u> | <u>7,501,184</u> |
| Net income | | <u>48,603,871</u> | <u>5,234,203</u> |
| Expenses | | | |
| Management fees | | (1,763,595) | (1,695,137) |
| Performance fees | | (4,535,827) | - |
| Administration fees | | (51,098) | (43,819) |
| Prime broker fees | | (9,085) | (9,868) |
| Stock loan fees | | (1,143,028) | (1,119,477) |
| Dividends paid on borrowed stock | | (11,033,489) | (13,447,432) |
| Legal fees | | (3,427) | - |
| Brokerage commission | | (623,838) | (359,359) |
| Accounting fees | | (38,593) | (50,413) |
| Share registry fees | | (49,325) | (52,971) |
| Tax fees | | (15,730) | (14,240) |
| Directors' fees | | (95,000) | (93,730) |
| Secretarial fees | | (34,257) | (29,017) |
| ASX fees | | (55,752) | (61,858) |
| Audit fees | | (48,594) | (27,565) |
| Other expenses | | <u>(106,874)</u> | <u>(283,478)</u> |
| Total expenses | | <u>(19,607,512)</u> | <u>(17,288,364)</u> |
| Profit/ (Loss) before income tax | | <u>28,996,359</u> | <u>(12,054,161)</u> |
| Income tax (expense)/ benefit | 1 | <u>(5,188,263)</u> | <u>2,943,015</u> |
| Profit/ (Loss) for the period after income tax | | <u>23,808,096</u> | <u>(9,111,146)</u> |
| Other comprehensive income/ (loss) | | | |
| Other comprehensive income/ (loss) for the period, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income/ (loss) for the period | | <u>23,808,096</u> | <u>(9,111,146)</u> |
| | | | Cents |
| Earnings/ (Loss) per share for profit/ (loss) attributable to the ordinary equity holders of the Company: | | | |
| Basic and diluted earnings/ (loss) per share | 10 | 24.51 | (8.98) |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Absolute Equity Performance Fund Limited
Statement of Financial Position
As at 30 June 2020

Statement of Financial Position

| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
|--|------|---------------------------|---------------------------|
| Assets | | | |
| Cash and cash equivalents | 2 | 118,093,156 | 96,796,138 |
| Trade and other receivables | 3 | 2,510,275 | 1,814,260 |
| Financial assets at fair value through profit or loss | 4 | 258,721,204 | 237,739,364 |
| Deferred tax asset | 1 | <u>20,771,512</u> | <u>16,751,390</u> |
| Total assets | | <u>400,096,147</u> | 353,101,152 |
| Liabilities | | | |
| Trade and other payables | 5 | 5,170,056 | 649,370 |
| Financial liabilities at fair value through profit or loss | 4 | 257,538,506 | 231,819,884 |
| Deferred tax liability | 1 | <u>23,938,496</u> | <u>14,730,110</u> |
| Total liabilities | | <u>286,647,058</u> | 247,199,364 |
| Net Assets | | <u>113,449,089</u> | <u>105,901,788</u> |
| Equity | | | |
| Issued capital | 6 | 99,604,773 | 109,525,108 |
| Accumulated losses | 7 | (12,192,471) | (12,192,471) |
| Profits reserve | 7 | <u>26,036,787</u> | <u>8,569,151</u> |
| Total Equity | | <u>113,449,089</u> | <u>105,901,788</u> |

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

Absolute Equity Performance Fund Limited
Statement of Changes in Equity
For the year ended 30 June 2020

Statement of Changes in Equity

| | Note | Issued Capital \$ | Profits Reserve \$ | Accumulated Losses \$ | Total \$ |
|---|------|--------------------------|--------------------------|-----------------------------|---------------------------|
| Balance at 1 July 2019 | | <u>109,525,108</u> | <u>8,569,151</u> | <u>(12,192,471)</u> | <u>105,901,788</u> |
| Profit for the period | 7 | - | - | 23,808,096 | 23,808,096 |
| Other comprehensive income for the period | | - | - | - | - |
| Transfer of profits during the period | 7 | - | 23,808,096 | (23,808,096) | - |
| <u>Transactions with owners:</u> | | | | | |
| Dividend paid | 8 | - | (6,340,460) | - | (6,340,460) |
| Shares bought-back | 6 | (9,920,335) | - | - | (9,920,335) |
| Balance at 30 June 2020 | | <u>99,604,773</u> | <u>26,036,787</u> | <u>(12,192,471)</u> | <u>113,449,089</u> |
| | | | | | |
| Balance at 1 July 2018 | | <u>109,111,714</u> | <u>10,192,554</u> | <u>(142,946)</u> | <u>119,161,322</u> |
| (Loss) for the period | 7 | - | - | (9,111,146) | (9,111,146) |
| Other comprehensive income for the period | | - | - | - | - |
| Transfer of profits during the period | 7 | - | 2,938,379 | (2,938,379) | - |
| <u>Transactions with owners:</u> | | | | | |
| Dividend paid | 8 | - | (4,561,782) | - | (4,561,782) |
| Shares issued on dividends re-invested | 6 | 413,394 | - | - | 413,394 |
| Balance at 30 June 2019 | | <u>109,525,108</u> | <u>8,569,151</u> | <u>(12,192,471)</u> | <u>105,901,788</u> |

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

Absolute Equity Performance Fund Limited
Statement of Cash Flows
For the year ended 30 June 2020

Statement of Cash Flows

| | Note | 30 June 2020 | 30 June 2019 |
|---|----------|----------------------------------|---------------------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Proceeds from sale of investments | | 291,523,567 | 175,035,523 |
| Payment for investments | | (245,648,794) | (178,485,752) |
| Interest received | | 399,208 | 1,250,832 |
| Dividends received | | 6,504,973 | 7,509,152 |
| Dividends paid on borrowed stock | | (11,223,116) | (13,427,008) |
| Interest paid | | (18,843) | (50,413) |
| Management fees paid | | (1,745,062) | (1,715,911) |
| Performance fees paid | | - | (2,775,531) |
| Payment for other expenses | | <u>(2,222,043)</u> | <u>(2,080,832)</u> |
| Net cash provided by/ (used in) operating activities | 9 | <u>37,569,890</u> | <u>(14,739,940)</u> |
| Cash flows from financing activities | | | |
| Dividends paid | | (6,340,460) | (4,148,388) |
| Shares bought-back | | <u>(9,920,334)</u> | <u>-</u> |
| Net cash (used in) financing activities | | <u>(16,260,794)</u> | <u>(4,148,388)</u> |
| Net increase/ (decrease) in cash and cash equivalents held | | 21,309,096 | (18,888,328) |
| Cash and cash equivalents at beginning of financial year | | 96,796,138 | 115,685,640 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | <u>(12,078)</u> | <u>(1,174)</u> |
| Cash and cash equivalents at end of financial year | 2 | <u><u>118,093,156</u></u> | <u><u>96,796,138</u></u> |
| Non cash financing activities | | | |
| Dividends reinvested | | <u>-</u> | <u>413,394</u> |

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020

| | 2020 \$ | 2019 \$ |
|---|--------------------------|---------------------------|
| 1 Income Tax Expense/ (Benefit) | | |
| (a) Numerical Reconciliation of Income Tax Benefit/ (Expense) to Prima Facie Tax Payable | | |
| Prima facie tax on profit/ (loss) before income tax at 30% (2019: 30%) | 8,698,907 | (3,616,248) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Franked dividends receivable | (206,329) | 7,500 |
| Imputation credit gross up | 495,461 | 646,472 |
| Foreign income withholding tax gross up | 15,313 | 10,618 |
| Prior year losses now recouped | (2,163,550) | - |
| Under/ over adjustments | - | 8,643 |
| Imputation credits and foreign income tax offset converted to tax loss | <u>(1,651,539)</u> | <u>-</u> |
| Income tax expense/ (benefit) | <u>5,188,263</u> | <u>(2,943,015)</u> |
| The applicable weighted average effective tax rates are as follows: | 17.89% | 24.41% |
| The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year. | | |
| Total income tax expense/ (benefit) results from: | | |
| Deferred tax liability | 9,208,385 | 3,063,404 |
| Deferred tax asset | <u>(4,020,122)</u> | <u>(6,006,419)</u> |
| Income tax expense/ (benefit) | <u>5,188,263</u> | <u>(2,943,015)</u> |
| (b) Deferred Tax Assets | | |
| The balance comprises temporary differences attributable to: | | |
| Revenue losses | 6,201,737 | 16,555,921 |
| Capitalised costs | <u>14,569,775</u> | <u>195,469</u> |
| | <u>20,771,512</u> | <u>16,751,390</u> |
| Movements: | | |
| Opening balance | 16,751,390 | 10,744,971 |
| Charged/credited: | | |
| - to profit or loss | 4,020,122 | 6,006,419 |
| - directly to equity | <u>-</u> | <u>-</u> |
| Closing balance | <u>20,771,512</u> | <u>16,751,390</u> |
| (c) Deferred Tax Liabilities | | |
| The balance comprises temporary differences attributable to: | | |
| Fair value adjustments | 23,838,829 | 14,503,463 |
| Accruals | <u>99,667</u> | <u>226,647</u> |
| | <u>23,938,496</u> | <u>14,730,110</u> |
| Movements: | | |
| Opening balance | 14,730,110 | 11,666,707 |
| Charged/credited: | | |
| - to profit or loss | <u>9,208,386</u> | <u>3,063,403</u> |
| Closing balance | <u>23,938,496</u> | <u>14,730,110</u> |

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

2 Cash and Cash Equivalents

| | 2020 | 2019 |
|----------------|--------------------|-------------------|
| | \$ | \$ |
| Current | | |
| Cash at bank | <u>118,093,156</u> | <u>96,796,138</u> |

3 Trade and Other Receivables

| Current | | |
|----------------------|-------------------------|-------------------------|
| Dividends receivable | 1,306,040 | 1,041,544 |
| GST receivable | 44,248 | 29,967 |
| Unsettled trades | 1,114,134 | 619,331 |
| Other receivables | <u>45,853</u> | <u>123,418</u> |
| | <u>2,510,275</u> | <u>1,814,260</u> |

Receivables are non-interest bearing and unsecured. Dividend income is recognised on the ex-dividend date. The majority of the Company's receivables arise from unsettled trades at year end which are generally settled three days after trade date.

The loss allowance for trade receivables are measured at an amount equal to lifetime expected credit loss. No loss allowance was recognised in respect to receivables as there are no expected credit losses.

4 Financial Assets and Liabilities at Fair Value through Profit or Loss

Current

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

| | | |
|-------------------------------------|--------------------|--------------------|
| Australian listed equity securities | <u>258,721,204</u> | <u>237,739,364</u> |
|-------------------------------------|--------------------|--------------------|

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

| | | |
|--|--------------------|--------------------|
| Australian listed equity securities sold short | <u>257,538,506</u> | <u>231,819,884</u> |
|--|--------------------|--------------------|

Changes in fair values of financial assets and liabilities are measured at fair value through profit or loss are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.

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.

5 Trade and Other Payables

Current

| | | |
|--------------------------|-------------------------|-----------------------|
| Management fees payable | 151,838 | 133,305 |
| Performance fees payable | 4,535,827 | - |
| Dividend payable | 202,380 | 392,007 |
| Unsettled trades | 118,495 | - |
| Other payables | <u>161,516</u> | <u>124,058</u> |
| | <u>5,170,056</u> | <u>649,370</u> |

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

6 Issued Capital

| | 30 June 2020 | | 30 June 2019 | |
|--------------------------|-------------------|-------------------|--------------------|--------------------|
| | No of shares | \$ | No of shares | \$ |
| (a) Share Capital | | | | |
| Ordinary shares | <u>92,152,920</u> | <u>99,604,773</u> | <u>101,629,036</u> | <u>109,525,108</u> |

(b) Movements in ordinary share capital

| 30 June 2020 | Number of shares | Application price | \$ |
|--|---------------------------|----------------------|---------------------------|
| Opening balance at 1 July 2019 | 101,629,036 | | 109,525,108 |
| Shares issued on dividends re-invested * | - | | - |
| Shares bought-back | (c) <u>(9,476,116)</u> | | <u>(9,920,335)</u> |
| Closing balance | <u>92,152,920</u> | | <u>99,604,773</u> |
| 30 June 2019 | | | |
| Opening balance at 1 July 2018 | 101,264,236 | | 109,111,714 |
| Shares issued on dividends re-invested | (d) 244,568 | \$1.189 | 290,813 |
| Shares issued on dividends re-invested | (d) <u>120,232</u> | <u>\$1.007</u> | <u>122,581</u> |
| Closing balance | <u>101,629,036</u> | | <u>109,525,108</u> |

* As the share price for the Company was less than the Company's NTA at the time of the final and interim dividend payments on 11 October 2019 and 23 April 2020 respectively, cash available for distribution as dividends on shares subject to the dividend reinvestment plan was used to acquire the Company's shares on-market and therefore no new shares were issued.

(c) Share Buy-Back

On 17 June 2019, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 10.2 million ordinary shares within the next 12 months. The share buy-back commenced on 1 July 2019 and during the year ended 30 June 2020, 9,476,116 shares have been bought-back. The shares bought-back were subsequently cancelled.

(d) Dividend Reinvestment Plan

Under the terms of the DRP, 244,568 and 120,232 ordinary shares were acquired on-market for DRP participants at \$1.189 and \$1.007 per share respectively. These shares were applied to the holdings of the DRP participants as at the dividend payment date of 19 October 2018 and 23 April 2019.

The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's NTA per Share at the relevant time when dividends are being invested.

If the prevailing share price is greater than or equal to NTA per share, DRP participants will be issued new shares. If the prevailing share price is less than the NTA per share, the Company may buy the securities on-market and if additional securities are required to satisfy DRP Participants, issue new shares.

(d) Capital Risk Management

The Company's policy is to maintain a strong capital base so as to maintain Shareholder and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the weekly NTA estimates, monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements. The Board is focused on maximising returns to Shareholders with active capital management a key objective of the Company.

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

| | 2020 \$ | 2019 \$ |
|--|---------------------|---------------------|
| 7 Profits Reserve and Accumulated Losses | | |
| (a) Profits Reserve | | |
| Profits reserve | <u>26,036,787</u> | <u>8,569,151</u> |
| Movements: | | |
| Opening balance | 8,569,151 | 10,192,554 |
| Transfer of profits during the year | 23,808,096 | 2,938,379 |
| Dividends paid | <u>(6,340,460)</u> | <u>(4,561,782)</u> |
| Balance as at the end of the year | <u>26,036,787</u> | <u>8,569,151</u> |
| (b) Accumulated Losses | | |
| Accumulated losses | <u>(12,192,471)</u> | <u>(12,192,471)</u> |
| Movements: | | |
| Opening balance | (12,192,471) | (142,946) |
| Profit/ (Loss) for the year | 23,808,096 | (9,111,146) |
| Transfer of profits during the year | <u>(23,808,096)</u> | <u>(2,938,379)</u> |
| Balance as at the end of the year | <u>(12,192,471)</u> | <u>(12,192,471)</u> |
| 8 Dividends | | |
| (a) Dividends Paid | | |
| Interim fully franked dividend of 2.5 cents per share | 2,382,735 | 2,030,176 |
| 2019 fully franked final dividend of 2.5 cents per share and special dividend of 1.5 cents per share | <u>3,957,725</u> | <u>2,531,606</u> |
| | <u>6,340,460</u> | <u>4,561,782</u> |
| (b) Dividends not recognised at the End of the Financial Year | | |
| Since year end, the Directors have declared a final dividend of 2.6 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the dividends with an ex-dividend date of 28 August 2020 and a record date of 31 August 2020, expected to be paid on 14 September 2020 out of the profits reserve at 30 June 2020, but not recognised as liability at year end, is: | <u>2,394,491</u> | <u>3,979,705</u> |
| (c) Dividend Reinvestment Plan | | |
| The Company's Dividend Re-Investment Plan ("DRP") will not operate in relation to the final dividend. | | |

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

| | 2020 \$ | 2019 \$ |
|--|-------------------------|--------------------|
| 8 Dividends (continued) | | |
| (d) Dividend Franking Account | | |
| The franked portions of the final dividends recommended after 30 June 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year. | | |
| Opening balance of franking account | 2,503,872 | 2,199,313 |
| Franking credits on dividends received | 1,651,539 | 2,154,907 |
| Franking credits on dividends paid | <u>(2,717,339)</u> | <u>(1,850,348)</u> |
| Closing balance of franking account | <u>1,438,072</u> | <u>2,503,872</u> |
| Franking credits on dividends receivable | 973,818 | 118,886 |
| Adjustments for tax payable/refundable in respect of the current period's profits and the receipt of dividends | <u>-</u> | <u>-</u> |
| Adjusted franking account balance | <u>2,411,890</u> | <u>2,622,758</u> |
| 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 year * | <u>(1,026,210)</u> | <u>(1,705,588)</u> |
| Franking credits available for subsequent reporting years | <u>1,385,680</u> | <u>917,170</u> |

* The dividends to be paid on 14 September 2020 will utilise \$1,026,210 of the above franking credits based on the current shares on issue.

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.

9 Reconciliation of Profit/ (Loss) after Income Tax to Net Cash Inflow from Operating Activities

| | | |
|--|--------------------------|---------------------|
| Profit/ (Loss) for the year | 23,808,096 | (9,111,146) |
| Unrealised (gains)/ losses on market value movement | (44,950,208) | 3,638,010 |
| Unrealised foreign exchange losses | 12,076 | 1,174 |
| Change in operating assets and liabilities: | | |
| (Increase)/ Decrease in trade and other receivables | (201,213) | 20,041 |
| Decrease/ (Increase) in investments held for trading | 49,310,685 | (3,589,330) |
| Increase/ (Decrease) in trade and other payables | 4,402,191 | (2,755,675) |
| Increase/ (Decrease) in deferred taxes | <u>5,188,263</u> | <u>(2,943,014)</u> |
| Net cash inflow/ (outflow) from operating activities | <u>37,569,890</u> | <u>(14,739,940)</u> |

10 Earnings/ (Loss) per Share

| | | |
|---|--------------------------|--------------------|
| Profit/ (loss) after income tax used in the calculation of earnings per share | <u>23,808,096</u> | <u>(9,111,146)</u> |
|---|--------------------------|--------------------|

Cents

(a) Basic Earnings/ (Loss) per Share

| | | |
|---|---------------------|---------------|
| Basic earnings/ (loss) per share attributable to the ordinary equity holders of the Company | <u>24.51</u> | <u>(8.98)</u> |
|---|---------------------|---------------|

(b) Weighted Average Number of Shares used as Denominator

**No. of
shares**

| | | |
|--|--------------------------|--------------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | <u>97,140,554</u> | <u>101,456,828</u> |
|--|--------------------------|--------------------|

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

11 Contingencies and Commitments

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

12 Events Occurring after the Reporting Year

Subsequent to year-end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 14 September 2020.

On 13 July 2020, the Company had received a non-binding proposal from Bennelong Long Short Equity Management Pty Limited ("the Company's Manager). The proposal detailed an amalgamation of the Company and an unlisted managed investment scheme, Bennelong Market Neutral Fund; which is managed by the Company's Manager. The proposal is designed to eliminate the share price discount due to the difference between the Company's net tangible asset position and its current share price, and improving liquidity. The Company is currently considering the advantages and disadvantages of the proposal and Shareholders will be notified in due course.

Mr Jeff Phillips resigned as the Company's Joint Secretary on 20 August 2020. Ms Lisa Dadswell, will remain the sole Company Secretary of the Company.

Apart from the above, no other 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.