

Absolute Equity Performance Fund Limited

A.B.N. 17 608 552 496

Appendix 4E for the year ended 30 June 2022

Absolute Equity Performance Fund Limited
Appendix 4E
For the year ended 30 June 2022

Preliminary Report

This preliminary report is for the reporting period from 1 July 2021 to 30 June 2022.

Results for Announcement to the Market *

	2022	2021	up/ (down) % mv't	
	\$	\$	\$	
Revenue from ordinary activities	(9,802,412)	14,617,645	(24,420,057)	(167.1)
(Loss)/ Profit before tax for the year	(23,411,470)	551,888	(23,963,358)	(4,342.1)
(Loss)/ Profit from ordinary activities after tax attributable to members	(15,679,007)	1,440,245	(17,119,252)	(1,188.6)

* All comparisons are for the year ended 30 June 2021.

Dividends

A fully franked final dividend of 2.6 cents per share in respect of the year ended 30 June 2021 was paid on 15 October 2021.

No dividend was declared or distributed in relation to the year ended 30 June 2022.

Net Tangible Assets

NTA per share	30 June 2022	30 June 2021
- before tax	\$0.94	\$1.22
- after tax	\$0.99	\$1.19

Scheme Implementation Agreement

On 14 June 2022, it was announced that WAM Leaders Limited ("WLE") and the Company had entered into a Scheme Implementation Agreement to merge the two entities.

It is proposed that WLE will acquire 100% of the shares in the Company through a Scheme of Arrangement ("Scheme"). Under the Scheme, the Company's Shareholders will receive new WLE shares as consideration for their shares in the Company. The number of WLE shares to be offered for each of the Company's shares will be determined by a formula based on the ratio of the net tangible assets of WLE before tax ("pre-tax NTA") to the pre-tax NTA of the Company.

The proposed merger of WLE and the Company follows the Company's consultation process announced on 16 February 2022 under which the Directors and their advisors evaluated a range of alternatives with a view to maximising value for all of the Company's Shareholders.

The Scheme Implementation Agreement is subject to conditions precedent, including the Company's Shareholders approving the Scheme in accordance with the Corporations Act 2001, the independent expert concluding the proposed transaction is in the best interests of the Company's Shareholders and the Federal Court approving the Scheme. On 11 August 2022, the Company announced that the Federal Court approved the Scheme meeting.

The Company's Shareholders will be given the opportunity to vote on the Scheme at a meeting to be held on 15 September 2022 at 11am (Sydney time). Detailed information relating to the Scheme and the Scheme meeting is available in the Scheme Booklet, which was published on the ASX website on 12 August 2022. Instructions on how to access the Scheme Booklet were sent to the Company's Shareholders on 15 August 2022.

Absolute Equity Performance Fund Limited
Appendix 4E
For the year ended 30 June 2022 (continued)

On Market Buy-back

On 12 July 2021, 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 9.2 million ordinary shares within the following 12 months.

The Company appointed Morgans Financial Limited to act on its behalf in relation to the share buy-back process and the share buy-back commenced on 5 October 2021.

A total of 1,830,863 shares were bought back and subsequently cancelled. The share buy-back was suspended following the announcement of the consultation and review process on 16 February 2022.

Audit

This Appendix 4E is based on the 2022 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
30 August 2022

Absolute Equity Performance Fund Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2022 \$	30 June 2021 \$
Investment income from ordinary activities			
Net realised gains on disposal of investments		17,116,519	30,553,322
Net unrealised (losses) on fair value movement of investments		(31,415,350)	(21,524,876)
Interest income received		45,036	24,472
Dividend income received		<u>4,451,383</u>	<u>5,564,727</u>
Net income		<u>(9,802,412)</u>	14,617,645
Expenses			
Management fees		(1,511,161)	(1,776,343)
Performance fees		-	(150,050)
Administration fees		(48,836)	(52,212)
Prime broker fees		(6,639)	(10,301)
Stock loan fees		(845,419)	(1,184,104)
Dividends paid on borrowed stock		(9,775,644)	(9,358,247)
Legal fees		(146,603)	(209,105)
Brokerage commission		(525,667)	(515,513)
Interest expense		(208,098)	(293,249)
Accounting fees		(37,275)	(89,991)
Share registry fees		(49,422)	(44,099)
Tax fees		(15,571)	(36,707)
Directors' fees		(95,000)	(95,000)
Secretarial fees		(35,158)	(33,371)
ASX fees		(52,485)	(56,995)
Audit fees		(87,876)	(74,974)
Other expenses		<u>(168,204)</u>	<u>(85,496)</u>
Total expenses		<u>(13,609,058)</u>	(14,065,757)
(Loss)/ Profit before income tax		<u>(23,411,470)</u>	551,888
Income tax benefit	1	<u>7,732,463</u>	888,357
(Loss)/ Profit for the period after income tax		<u>(15,679,007)</u>	1,440,245
Other comprehensive income			
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive (loss)/ income for the period		<u>(15,679,007)</u>	1,440,245
			Cents
(Loss)/ Earnings per share for (loss)/ profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (loss)/ earnings per share	10	(17.25)	1.56

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 2022

Statement of Financial Position

	Note	30 June 2022 \$	30 June 2021 \$
Assets			
Cash and cash equivalents	2	78,698,640	102,100,037
Trade and other receivables	3	570,286	1,151,068
Financial assets at fair value through profit or loss	4	163,542,125	240,805,494
Deferred tax asset	1	5,453,836	-
Total assets		<u>248,264,887</u>	<u>344,056,599</u>
Liabilities			
Trade and other payables	5	2,682,313	1,071,520
Financial liabilities at fair value through profit or loss	4	155,500,700	230,670,165
Deferred tax liability	1	-	2,278,627
Total liabilities		<u>158,183,013</u>	<u>234,020,312</u>
Net Assets		<u>90,081,874</u>	<u>110,036,287</u>
Equity			
Issued capital	6	97,659,793	99,540,708
Accumulated losses	7	(44,321,400)	(25,682,528)
Profits reserve	7	36,743,481	36,178,107
Total Equity		<u>90,081,874</u>	<u>110,036,287</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 2022

Statement of Changes in Equity

	Note	Issued Capital \$	Profits Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021		99,540,708	36,178,107	(25,682,528)	110,036,287
Loss for the period	7	-	-	(15,679,007)	(15,679,007)
Other comprehensive income for the period		-	-	-	-
<u>Transactions with owners:</u>					
Transfer of profits during the period	7	-	2,959,865	(2,959,865)	-
Dividend paid	8	-	(2,394,491)	-	(2,394,491)
Shares bought-back	6	(1,880,915)	-	-	(1,880,915)
Balance at 30 June 2022		<u>97,659,793</u>	<u>36,743,481</u>	<u>(44,321,400)</u>	<u>90,081,874</u>
Balance at 1 July 2020		99,604,773	26,036,787	(12,192,471)	113,449,089
Profit for the period	7	-	-	1,440,245	1,440,245
Other comprehensive income for the period		-	-	-	-
<u>Transactions with owners:</u>					
Transfer of profits during the period	7	-	14,930,302	(14,930,302)	-
Dividend paid	8	-	(4,788,982)	-	(4,788,982)
Shares bought-back	6	(64,065)	-	-	(64,065)
Balance at 30 June 2021		<u>99,540,708</u>	<u>36,178,107</u>	<u>(25,682,528)</u>	<u>110,036,287</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 2022

Statement of Cash Flows

	Note	30 June 2022 \$	30 June 2021 \$
Cash flows from operating activities			
Proceeds from sale of investments		222,624,396	244,665,900
Payment for investments		(232,613,855)	(244,076,069)
Interest received		19,974	25,794
Dividends received		4,524,131	6,316,173
Dividends paid on borrowed stock		(9,799,592)	(8,950,656)
Interest paid		(229,460)	(271,887)
Management fees paid		(1,546,898)	(1,783,816)
Performance fees paid		-	(4,535,827)
Payment for other expenses		<u>(2,104,687)</u>	<u>(2,529,684)</u>
Net cash (used in) operating activities	9	<u>(19,125,991)</u>	<u>(11,140,072)</u>
Cash flows from financing activities			
Dividends paid		(2,394,491)	(4,788,982)
Shares bought-back		<u>(1,880,915)</u>	<u>(64,065)</u>
Net cash (used in) financing activities		<u>(4,275,406)</u>	<u>(4,853,047)</u>
Net (decrease) in cash and cash equivalents held		<u>(23,401,397)</u>	<u>(15,993,119)</u>
Cash and cash equivalents at beginning of financial year		<u>102,100,037</u>	<u>118,093,156</u>
Cash and cash equivalents at end of financial year	2	<u><u>78,698,640</u></u>	<u><u>102,100,037</u></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 2022

	2022	2021
	\$	\$
1 Income Tax Benefit		
(a) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable		
Prima facie tax on (loss)/ profit before income tax at 30% (2021: 30%)	(7,023,442)	165,567
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	22,184	227,772
Imputation credit gross up	310,450	545,201
Foreign income withholding tax gross up	3,416	4,097
Prior year under/ over	1,149	-
Imputation credits and foreign income tax offset converted to tax loss	<u>(1,046,220)</u>	<u>(1,830,994)</u>
Income tax (benefit)	<u>(7,732,463)</u>	<u>(888,357)</u>
The applicable weighted average effective tax rates are as follows:	(33.03%)	160.97%
The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.		
Total income tax (benefit) results from:		
Deferred tax liability	(11,677,014)	(6,503,445)
Deferred tax asset	<u>3,944,551</u>	<u>5,615,088</u>
Income tax (benefit)	<u>(7,732,463)</u>	<u>(888,357)</u>
Net deferred tax liability/ (asset)		
Deferred tax asset	(11,211,873)	(15,156,424)
Deferred tax liability	<u>5,758,037</u>	<u>17,435,051</u>
Closing balance	<u>(5,453,836)</u>	<u>2,278,627</u>
(b) The composition of the Company's deferred tax asset and liability is as follows:		
(i) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Revenue losses	13,481,225	15,163,783
Capitalised costs	<u>(2,269,352)</u>	<u>(7,359)</u>
	<u>11,211,873</u>	<u>15,156,424</u>
Movements:		
Opening balance	15,156,424	20,771,512
Charged/credited:		
- to profit or loss	<u>(3,944,551)</u>	<u>(5,615,088)</u>
Closing balance	<u>11,211,873</u>	<u>15,156,424</u>
(ii) Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Fair value adjustments	5,655,672	17,333,046
Accruals	<u>102,365</u>	<u>102,005</u>
	<u>5,758,037</u>	<u>17,435,051</u>
Movements:		
Opening balance	17,435,051	23,938,496
Charged/credited:		
- to profit or loss	<u>(11,677,014)</u>	<u>(6,503,445)</u>
Closing balance	<u>5,758,037</u>	<u>17,435,051</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022

	2022	2021
	\$	\$
2 Cash and Cash Equivalents		
Current		
Cash at bank	<u>78,698,640</u>	<u>102,100,037</u>
3 Trade and Other Receivables		
Current		
Dividends receivable	481,845	554,594
GST receivable	28,602	76,458
Unsettled trades	-	481,622
Other receivables	<u>59,839</u>	<u>38,394</u>
	<u>570,286</u>	<u>1,151,068</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>163,542,125</u>	<u>240,805,494</u>
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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>155,500,700</u>	<u>230,670,165</u>
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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	108,628	144,365
Performance fees payable	150,050	150,050
Dividend payable on borrowed stock	586,022	609,971
Unsettled trades	1,732,902	-
Other payables	<u>104,711</u>	<u>167,134</u>
	<u>2,682,313</u>	<u>1,071,520</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 2022

6 Issued Capital

	30 June 2022		30 June 2021	
	No of shares	\$	No of shares	\$
(a) Share Capital				
Ordinary shares	<u>90,264,949</u>	<u>97,659,793</u>	<u>92,095,812</u>	<u>99,540,708</u>

(b) Movements in ordinary share capital

30 June 2022	Number of shares	Application price	\$
Opening balance at 1 July 2021	92,095,812		99,540,708
Shares bought-back (c)	<u>(1,830,863)</u>		<u>(1,880,915)</u>
Closing balance	<u>90,264,949</u>		<u>97,659,793</u>
30 June 2021			
Opening balance at 1 July 2020	92,152,920		99,604,773
Shares bought-back (c)	<u>(57,108)</u>		<u>(64,065)</u>
Closing balance	<u>92,095,812</u>		<u>99,540,708</u>

(c) Share Buy-Back

On 12 July 2021, 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 9.2 million ordinary shares within the next 12 months. The share buy-back commenced on 5 October 2021 and a total of 1,830,863 shares have been bought back and subsequently cancelled.

The share buy-back was suspended following the announcement of the consultation and review process on 16 February 2022.

(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.

	2022 \$	2021 \$
7 Profits Reserve and Accumulated Losses		
(a) Profits Reserve		
Profits reserve	<u>36,743,481</u>	<u>36,178,107</u>
Movements:		
Opening balance	36,178,107	26,036,787
Transfer of profits during the year	2,959,865	14,930,302
Dividends paid	<u>(2,394,491)</u>	<u>(4,788,982)</u>
Balance as at the end of the year	<u>36,743,481</u>	<u>36,178,107</u>
(b) Accumulated Losses		
Accumulated losses	<u>(44,321,400)</u>	<u>(25,682,528)</u>
Movements:		
Opening balance	(25,682,528)	(12,192,471)
(Loss)/ Profit for the year	(15,679,007)	1,440,245
Transfer of profits during the year	<u>(2,959,865)</u>	<u>(14,930,302)</u>
Balance as at the end of the year	<u>(44,321,400)</u>	<u>(25,682,528)</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022

8 Dividends

	2022	2021
	\$	\$
(a) Dividends Paid		
Interim fully franked dividend of nil cents per share (2021: 2.6 cents)	-	2,394,491
2021 fully franked final dividend of 2.6 cents per share (2020: 2.6 cents)	<u>2,394,491</u>	<u>2,394,491</u>
	<u>2,394,491</u>	<u>4,788,982</u>

(b) Dividends not recognised at the End of the Financial Year

Since year end, the Directors have not declared a final dividend (2021: 2.6 cents per share, fully franked based on tax paid at 30%). In 2021, the aggregate amount of the dividends not recognised as liability at year end, is:

	<u>-</u>	<u>2,394,491</u>
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(c) Dividend Franking Account

The franked portions of the final dividends recommended after 30 June 2022 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year.

	2022	2021
	\$	\$
Opening balance of franking account	1,202,988	1,438,072
Franking credits on dividends received	1,033,191	1,817,337
Franking credits on dividends paid	<u>(1,026,210)</u>	<u>(2,052,421)</u>
Closing balance of franking account	<u>1,209,969</u>	<u>1,202,988</u>
Franking credits on dividends receivable	<u>60,270</u>	<u>214,577</u>
Franking credits available for subsequent reporting years	<u>1,270,239</u>	<u>1,417,565</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>-</u>	<u>(1,026,210)</u>
Franking credits available after dividends declared post-balance date	<u>1,270,239</u>	<u>391,355</u>

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.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022

	2022	2021
	\$	\$
9 Reconciliation of (Loss)/ Profit after Income Tax to Net Cash Inflow from Operating Activities		
(Loss)/ Profit for the year	(15,679,007)	1,440,245
Unrealised losses/ (gains) on market value movement	31,414,410	21,524,876
Change in operating assets and liabilities:		
Decrease in trade and other receivables	99,159	726,696
(Increase) in investments held for trading	(27,105,979)	(29,963,492)
(Decrease) in trade and other payables	(122,114)	(3,980,040)
(Decrease)/ Increase in deferred taxes	<u>(7,732,460)</u>	<u>(888,357)</u>
Net cash (outflow) from operating activities	<u>(19,125,991)</u>	<u>(11,140,072)</u>
10 (Loss)/ Earnings per Share		
(Loss)/ Profit after income tax used in the calculation of earnings per share	<u>(15,679,007)</u>	1,440,245
		Cents
(a) Basic (Loss)/ Earnings per Share		
Basic (loss)/ earnings per share attributable to the ordinary equity holders of the Company	<u>(17.25)</u>	1.56
(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>90,918,828</u>	<u>92,096,015</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 2022 (2021: nil).

12 Events Occurring after the Reporting Year

On 14 June 2022, it was announced that WLE and the Company had entered into a Scheme Implementation Agreement to merge the two entities.

It is proposed that WLE will acquire 100% of the shares in the Company through the Scheme. Under the Scheme, the Company's Shareholders will receive new WLE shares as consideration for their shares in the Company. The number of WLE shares to be offered for each of the Company's shares will be determined by a formula based on the ratio of the net tangible assets of WLE before tax ("pre-tax NTA") to the pre-tax NTA of the Company. On 11 August 2022, the Company announced that the Federal Court approved the Scheme meeting.

The Company's Shareholders will be given the opportunity to vote on the Scheme at a meeting to be held on 15 September 2022 at 11am (Sydney time). Detailed information relating to the Scheme is available in the Scheme Booklet, which was sent to the Company's Shareholders on 15 August 2022.

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.