L1 Long Short Fund Limited

29 August 2018

The Companies Office
ASX Limited
Level 6, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

RESULTS FOR YEAR ENDED 30 JUNE 2018

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

i) Appendix 4E Statement for the year ended 30 June 2018; and

ii) Audited Financial Report for the year ended 30 June 2018.

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

Yours sincerely

Adam Sutherland
Company Secretary

L1 CAPITAL

Appendix 4E

The Appendix 4E is for the reporting period from 14 December 2017 (date of incorporation) to 30 June 2018. The company commenced operations on 19 April 2018.

This report is based on the 2018 Audited Financial Report. All the documents comprise the information required by Listing Rule 4.3A.

Results for announcement to market*

	($ `000)
Loss from ordinary activities	89,556
Loss before income tax	108,073
Loss after income tax attributable to ordinary equity holders	75,439

**The amount and percentage up or down from the previous period are not applicable as this is the first reporting period for the company.*

Dividends

There were no dividends paid or declared during the period.

Net tangible assets

	($)
Net tangible asset backing (per share) before tax	1.7938
Net tangible asset backing (per share) after tax	1.8467

The NTA before tax has increased versus the previously published figure due to the revised accounting and tax treatment of the offer costs. The NTA after tax is lower due to the revised treatment of the foreign income tax offset

Earnings per share

	(cents)
Basic losses per share attributable to the ordinary equity holders	11.35
Diluted losses per share attributable to the ordinary equity holders	11.35

Explanation of results

For the period from 19 April 2018 to 30 June 2018, the Company recorded a loss before tax of $108.1 million and a net loss after income tax of $75.4 million.

The net tangible asset (NTA) backing per share based on the market valuation of investments before all taxes was $1.7938 at 30 June 2018, a decline of 10% compared with $2.00 as at 19 April 2018. The NTA post-tax of $1.8467 is calculated after tax of realised and unrealised gains/losses, deferred tax assets and deferred tax liabilities.

The Company's relative performance for the year was hindered by the divergence between the relative valuations of growth/momentum and value stocks both in Australia and globally. There is typically a modest value bias in the portfolio, but this is more pronounced at the moment given how extreme the relative valuations are for growth versus value. The valuation differential has been close to multi-decade highs and we believe this will normalise over time.

Annual General Meeting

The 2018 Annual General Meeting will be held on Thursday 29 November 2018.

L1 Long Short Fund Limited

ABN 47 623 418 539

Financial Report
For the period ended 30 June 2018

Directors	Andrew Larke (Independent Chairman) John Macfarlane (Independent Director) Harry Kingsley (Independent Director) Raphael Lamm (Non Independent Director) Mark Landau (Non Independent Director)
Company secretaries	Mark Licciardo Adam Sutherland
Registered office	Level 28, 101 Collins Street Melbourne VIC 3000 Phone: (03) 9286 7000
Investment manager	L1 Capital Pty Limited Level 28, 101 Collins Street Melbourne VIC 3000 Phone: (03) 9286 7000
Administrator	Link Fund Solutions Pty Limited Level 12, 680 George Street Sydney NSW 2000 Phone: (02) 8280 7100
Share registrar	Link Market Services Limited Tower 4, 727 Collins Street Melbourne VIC 3008 Phone: 1800 129 431 For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.
Auditors	Ernst & Young 200 George Street Sydney NSW 2000 Phone: (02) 9248 5555
Securities exchange listing	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: LSF Ordinary shares
Website	www.L1LongShort.com

L1 Long Short Fund Limited ABN 47 623 418 539
Financial Report - For the period ended 30 June 2018

Contents

Directors' Report

The Directors present their report together with the financial statements of L1 Long Short Fund Limited (the "Company") for the period ended 30 June 2018. The financial report covers the period 14 December 2017 (date of incorporation) to 30 June 2018.

Directors

The following persons held office as Directors during the period or since the end of the period and up to the date of this report:

Raphael Lamm (Non Independent Director) (appointed 14 December 2017)
Mark Landau (Non Independent Director) (appointed 14 December 2017)
Andrew Larke (Independent Chairman) (appointed 24 January 2018)
John Macfarlane (Independent Director) (appointed 24 January 2018)
Harry Kingsley (Independent Director) (appointed 24 January 2018)
Joel Arber (Non Independent Director) (appointed 14 December 2017, resigned 24 January 2018)

Principal activities

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

There was no significant change in the nature of the Company's activity during the period.

Dividends

There were no dividends paid or proposed to be paid for the reporting period. Further information in respect of the Company's dividend policy is contained in Section 3.7 of the Company's Prospectus which was issued on 16 February 2018.

The amount of any dividend will be at the discretion of the Board. Currently, it is the Board's intention to pay fully franked dividends, to the extent permitted by law and the payment being within prudent business practices.

Review of operations

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

The operating loss before tax was $108,073,000 for the period ended 30 June 2018. The net result after tax was a loss of $75,439,000.

The net tangible asset backing before tax as at 30 June 2018 was $1.7938 per share.

Financial position

The net asset value of the Company for the financial period ended 30 June 2018 was $1,228,886,000.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the period ended 30 June 2018.

Matters subsequent to the end of the financial period

No matter or circumstance has occurred subsequent to period 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 periods.

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

Andrew Larke (Independent Chairman)

Experience and expertise

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

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

Other current directorships

Andrew Larke's current directorships in other listed companies include DuluxGroup Ltd and Diversified United Investment Limited.

Former directorships in last 3 years

Andrew Larke has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

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

Interests in contracts

Andrew Larke has no interests in contracts of the Company.

John Macfarlane (Independent Director)

Experience and expertise

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

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

Information on directors (continued)

Other current directorships

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

Former directorships in last 3 years

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

Interests in shares and options

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

Interests in contracts

John Macfarlane has no interests in contracts of the Company.

Harry Kingsley (Independent Director)

Experience and expertise

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

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

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

Other current directorships

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

Former directorships in last 3 years

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

Interests in shares and options

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

Interests in contracts

Harry Kingsley has no interests in contracts of the Company.

Information on directors (continued)

Raphael Lamm (Non Independent Director)

Experience and expertise

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

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

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

Other current directorships

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

Former directorships in last 3 years

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

Interests in shares and options

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

Interests in contracts

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

Mark Landau (Non Independent Director)

Experience and expertise

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

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

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

Other current directorships

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

Former directorships in last 3 years

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

Information on directors (continued)

Interests in shares and options

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

Interests in contracts

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

Joel Arber (Non Independent Director - resigned 24 January 2018)

Experience and expertise

Joel Arber is Chief Operating Officer of L1 Capital Pty Limited. He is responsible for overseeing all aspects of the firm’s operations. Joel has 10 years’ experience in the financial services sector, including seven years at L1 Capital. Prior to joining L1 Capital, Joel worked as a management consultant at SPP, providing high level strategy advice to large listed companies, Government departments and universities. Prior to SPP, Joel co-founded and ran an I.T. consulting business for seven years.

He holds an undergraduate degree in Information Systems from the University of Melbourne and a Masters of Applied Finance from Kaplan Education.

Other current directorships

Joel Arber does not currently hold directorships in other listed companies.

Former directorships in last 3 years

Joel Arber has not held any directorships in other listed companies within the last 3 years.

Interests in shares and options

Details of Joel Arber’s interests in shares of the Company are included later in this report.

Interests in contracts

Details of Joel Arber’s interests in contracts of the Company are included later in this report.

Company secretaries

Mark Licciardo

Mark Licciardo is the founder and Managing Director of Mertons Corporate Services Pty Ltd. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. He is also the former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

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

Adam Sutherland

Adam Sutherland is an experienced corporate governance professional and is Company Secretary for a number of ASX listed entities. He has expertise in corporate compliance obligations, including ASX and ASIC requirements. Currently a Corporate Governance Advisor at Mertons Corporate Services Pty Ltd, Adam has also held legal support and corporate compliance roles with Crown Resorts Limited and Crown Melbourne Limited.

He holds an Advanced Diploma of Business (Legal Practice) from RMIT and Certificate in Corporate Governance from the Governance Institute of Australia.

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the period ended 30 June 2018 and up to the date of this audit report, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Meetings of committee Audit, Risk and Compliance	
	A	B	A	B
Andrew Larke	6	6	Nil	Nil
Mark Landau	6	6	-	-
Raphael Lamm	6	6	Nil	Nil
John Macfarlane	6	6	Nil	Nil
Harry Kingsley	6	6	Nil	Nil
Joel Arber	0	0	-	-

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 period

Remuneration report (Audited)

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

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

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

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

Remuneration report (Audited) (continued)

Details of remuneration

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

2018	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Independent Directors			
Andrew Larke	60,024	5,702	65,726
John Macfarlane	30,012	2,851	32,863
Harry Kingsley	30,012	2,851	32,863
Sub-total Independent Directors	**120,048**	**11,404**	**131,452**
Non Independent Directors			
Raphael Lamm	-	-	-
Mark Landau	-	-	-
Joel Arber - resigned 24 January 2018	-	-	-
Sub-total Non Independent Directors	**-**	**-**	**-**
Total key management personnel compensation	**120,048**	**11,404**	**131,452**

Director Related Entity Remuneration

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

L1 Capital Pty Limited is a Director associated entity and has been appointed to manage the investment portfolio of L1 Long Short Fund Limited. L1 Capital Pty Limited operates a funds management business. In its capacity as Investment Manager, L1 Capital Pty Limited is entitled to be paid a management fee equal to 1.40% (plus GST) per annum (1.4350% inclusive of the net impact of GST and RITC) of the value of the portfolio calculated daily. Under the Investment Management Agreement, the Company will not pay any management fees that would otherwise have been payable to the Investment Manager, until such time as all of the Company’s offer costs have been recouped.

During the period, the total offer costs paid by the Company amounted to $38,868,972. As at 30 June 2018, the balance of the Company's receivable from manager amounted to $33,869,014, presented as current and non-current asset in the Statement of Financial Position amounting to $19,796,023 and $14,072,991, respectively.

Management fees incurred during the period amounted to $3,624,913. Of the total management fees incurred, $1,540,350 has not been recouped from receivable from manager as at period end. For the period ended 30 June 2018 in its capacity as Investment Manager, L1 Capital Pty Limited was paid management fees through recoupment of the Company's offer costs.

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

There was no performance fee incurred during the period. For the period ended 30 June 2018 in its capacity as Investment Manager, L1 Capital Pty Limited was not paid a performance fee.

Remuneration report (Audited) (continued)

Details of remuneration (continued)

Director Related Entity Remuneration (continued)

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

Remuneration of Executives

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

Equity Instrument Disclosures Relating to Directors

As at 30 June 2018, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2018 **Director**	**Position**	**Balance at 14 December 2017**	**Acquisitions**	**Disposals**	**Balance at 30 June 2018**
Andrew Larke	Independent Chairman	-	525,000	-	525,000
John Macfarlane	Independent Director	-	500,000	-	500,000
Harry Kingsley	Independent Director	-	25,000	-	25,000
Raphael Lamm	Non Independent Director	1	2,500,000*	-	2,500,001
Mark Landau	Non Independent Director	-	2,500,000*	-	2,500,000
Joel Arber	Non Independent Director (resigned 24 January 2018)	-	294,118	-	294,118
		1	**6,344,118**	**-**	**6,344,119**

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

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

Options Held

None of the Directors held options during the period ended 30 June 2018.

There has been no change to the ordinary shares and options held by the Directors of the Company from 30 June 2018 up to the date of this report.

End of remuneration report

Insurance and indemnification of officers and auditors

During the financial period, the Investment Manager, on behalf of 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 Company will reimburse the Investment Manager for the premium paid. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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.*

Rounding of amounts

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

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 10.

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

Andrew Larke
Chairman

Melbourne
29 August 2018

Building a better
working world

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

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

As lead auditor for the audit of L1 Long Short Fund Limited for the financial period ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
29 August 2018

L1 Long Short Fund Limited
Statement of Comprehensive Income
For the period ended 30 June 2018

	Notes	For the period 14 December 2017 to 30 June 2018 $'000
Investment income		
Net realised losses on financial instruments designated at fair value through profit or loss		**(55,570)**
Net unrealised losses on financial instruments designated at fair value through profit or loss		**(81,827)**
Net realised losses on financial instruments held for trading		**(759)**
Net unrealised losses on financial instruments held for trading		**(3,161)**
Dividend income		**10,790**
Interest income		**3,507**
Net foreign exchange gains		**1,245**
Offer costs reimbursement income		**36,219**
Total investment loss		**(89,556)**
Expenses		
Management fees	21	**(3,625)**
Brokerage expense		**(3,922)**
Dividend expense		**(4,997)**
Interest expense		**(1,658)**
Stock loan fees		**(3,421)**
Custody fees		**(10)**
Withholding tax on foreign dividends		**(712)**
Directors' fees		**(131)**
Audit fees	19	**(41)**
Total operating expenses		**(18,517)**
Loss before income tax		**(108,073)**
Income tax benefit	7	**32,634**
Loss after income tax		**(75,439)**
Other comprehensive income, net of tax		**-**
Total comprehensive loss		**(75,439)**
		Cents
Losses per share for loss attributable to the ordinary equity holders of the Company:		
Basic losses per share	24	**11.35**
Diluted losses per share	24	**11.35**

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

	Notes	At 30 June 2018 $'000
ASSETS		
Current assets		
Cash and cash equivalents	8	**1,110,969**
Other receivables	9	**77,301**
Receivable from Manager	21	**19,796**
Financial assets held at fair value through profit or loss	10	**1,341,137**
Total current assets		**2,549,203**
Non-current assets		
Receivable from Manager	21	**14,073**
Deferred tax assets	12	**43,867**
Total non-current assets		**57,940**
Total assets		**2,607,143**
LIABILITIES		
Current liabilities		
Broker advances		**574,122**
Other payables	13	**48,357**
Financial liabilities held at fair value through profit or loss	14	**755,411**
Total current liabilities		**1,377,890**
Non-current liabilities		
Deferred tax liabilities	15	**367**
Total non-current liabilities		**367**
Total liabilities		**1,378,257**
Net assets		**1,228,886**
EQUITY		
Issued capital	16	**1,304,325**
Accumulated losses		**(75,439)**
Total equity		**1,228,886**

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

	Notes	Issued capital $'000	Accumulated losses $'000	Total $'000
Balance as at 14 December 2017		**-**	**-**	**-**
Loss after income tax		-	(75,439)	(75,439)
Other comprehensive income		-	-	-
Total comprehensive loss		**-**	**(75,439)**	**(75,439)**
Transactions with owners in their capacity as owners:				
Shares issued	16	1,329,678	-	1,329,678
Capital raising costs		(36,219)	-	(36,219)
Capital raising costs - tax effect		10,866	-	10,866
		1,304,325	-	1,304,325
Balance as at 30 June 2018		**1,304,325**	**(75,439)**	**1,228,886**

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

	Notes	For the period 14 December 2017 to 30 June 2018 $'000
Cash flows from operating activities		
Purchase of financial instruments held at fair value through profit or loss		(861,596)
Proceeds from sale of financial instruments held at fair value through profit or loss		103,612
Dividends received		7,666
Interest received		2,587
Brokerage expenses paid		(4,105)
Dividends paid on short positions		(306)
Interest paid		(696)
Other expenses paid		(2,369)
Net cash outflow from operating activities	23	(755,207)
Cash flows from financing activities		
Shares issued		1,329,678
Capital raising costs paid		(38,869)
Broker deposits received		574,122
Net cash inflow from financing activities		1,864,931
Net increase in cash and cash equivalents		1,109,724
Cash and cash equivalents at the beginning of the period		-
Effects of exchange rate changes on cash and cash equivalents		1,245
Cash and cash equivalents at the end of the period	8	1,110,969

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

1 General information

L1 Long Short Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of L1 Long Short Fund Limited's registered office is Level 28, 101 Collins Street, Melbourne VIC 3000.

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

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

The financial statements of the Company are for the period 14 December 2017 to 30 June 2018. This is the first reporting period for the Company.

As this is the Company's first period of operations, there are no comparatives.

The financial statements were authorised for issue by the Board of Directors on 29 August 2018. The Directors have the power to amend and reissue the financial report.

2 Significant accounting policies

The principal accounting policies adopted in the preparation of this financial statements are set out below. These policies have been consistently applied to the first period presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. L1 Long Short Fund Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with International Financial Reporting Standards (IFRS)
The financial statements of L1 Long Short Fund Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company
There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period that have a material impact on the Company.

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

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

(v) New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period and have not been early adopted by the Company. The Company’s assessment of the impact of these new standards and interpretations is set out below.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	The Directors have performed an impact assessment of all aspects of AASB 9 which is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt AASB 9. Overall, the Directors expect no significant impact on its Statement of Financial Position and Statement of Changes in Equity. *Classification and measurement* - The Directors do not expect a significant impact on its Statement of Financial Position or Statement of Changes in Equity on applying the classification and measurement requirements of AASB 9 for the Company's financial assets and liabilities at fair value through profit or loss. Directors expect to continue measuring at fair value all financial instruments currently held at fair value. The receivable from manager will be classified as financial asset at amortised cost. *Impairment* - For Company's investments held at fair value through profit or loss, the change in impairment rules will not materially impact the Company. For financial asset at amortised cost, AASB 9 requires the Company to record expected credit losses either on a 12-month or lifetime basis. The Directors assess that there will be no significant increase in credit risk of the creditor upon evaluating a range of possible outcomes and observing reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Directors expect no significant impairment on this financial asset. *Hedge accounting* - The Company does not apply hedge accounting.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard 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 distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company 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 L1 Long Short 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.

(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 period they are incurred in accordance with the policies described in Note 2(j).

2 Significant accounting policies (continued)

(c) Revenue recognition (continued)

(ii) Dividends

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Company currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

(iii) Interest income

Interest income on cash and cash equivalents is recognised in the Statement of Comprehensive Income on an accruals basis.

(iv) Other income

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

(d) Expenses

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

(e) Income tax

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

2 Significant accounting policies (continued)

(g) Broker advances

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

(h) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(i) Other receivables

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

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

(j) Financial assets and liabilities

Classification

(i) Financial instruments held for trading

These include futures and equity swaps. Derivative financial instruments entered into by the Company do not meet the hedge accounting requirements as defined by the accounting standards. Consequently, hedge accounting is not applied by the Company.

Derivatives are classified as at fair value through profit or loss - held-for-trading 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.

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

(ii) Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is to evaluate information about these financial instruments on a fair value basis together with other related financial information.

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.

2 Significant accounting policies (continued)

(j) Financial assets and liabilities (continued)

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.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivable from manager in the Statement of Financial Position.

Recognition and derecognition

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

Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

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

Impairment

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(k) Offsetting financial instruments

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

(l) Other payables

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

2 Significant accounting policies (continued)

(m) Issued capital

Ordinary shares are classified as equity.

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

(n) Dividends

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

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

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(p) Goods and Services Tax (GST)

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

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

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

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

(q) Rounding of amounts

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

3 Financial risk management

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

(a) Market risk

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

The Directors believe that there is no significant concentration risk in any particular sector or industry. There was no single stock where the net exposure was over 6.23% of the Company’s NAV as at 30 June 2018.

(i) Price risk

Exposure

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

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

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

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

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

Sensitivity

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

	Impact on loss after tax 2018 $'000
Decrease 5%	**(20,500)**
Increase 5%	**20,500**
Decrease 10%	**(41,001)**
Increase 10%	**41,001**

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

At balance date, the net position of financial assets and liabilities held at fair value through profit or loss was $585,726,000.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Exposure

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

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

At 30 June 2018

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	1,110,969	-	-	1,110,969
Other receivables	-	-	77,301	77,301
Financial assets held at fair value through profit or loss	-	-	1,341,137	1,341,137
Receivable from Manager	-	-	33,869	33,869
	1,110,969	-	1,452,307	2,563,276
Financial liabilities				
Broker advances	(574,122)	-	-	(574,122)
Other payables	-	-	(48,357)	(48,357)
Financial liabilities held at fair value through profit or loss	-	-	(755,411)	(755,411)
	(574,122)	-	(803,768)	(1,377,890)
Net exposure to interest rate risk	536,847	-	648,539	1,185,386

Sensitivity

At 30 June 2018, if interest rates had increased or decreased by 75 basis points ("bps") from the period end rates with all other variables held constant, loss after tax for the period would have been $2,818,000 lower/$2,818,000 higher, mainly as a result of higher/lower interest income from cash and cash equivalents.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk

Exposure

The Company operates internationally and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager monitors the Company's currency positions on a daily basis. The table below summarises the fair value of the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

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

30 June 2018	**USD $'000**	**EUR $'000**	**HKD $'000**	**Others $'000**
Monetary				
Cash and cash equivalents	**19,919**	**-**	**-**	**30,386**
Other receivables	**51,968**	**1,025**	**1,208**	**7,148**
Broker advances	**(231,561)**	**(178,769)**	**(103,907)**	**(59,670)**
Other payables	**(774)**	**(3,744)**	**(183)**	**(103)**
Non-monetary				
Financial assets held at fair value through profit or loss	**112,510**	**136,565**	**99,291**	**119,224**
Financial liabilities held at fair value through profit or loss	**(94,360)**	**-**	**-**	**(65,512)**
	(142,298)	**(44,923)**	**(3,591)**	**31,473**
Net exposure from derivative financial instruments	**-**	**-**	**-**	**(26,303)**
Net exposure	**(142,298)**	**(44,923)**	**(3,591)**	**5,170**

Sensitivity

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

	Impact on post-tax profit 30 June 2018 $'000
USD/AUD exchange rate - increase 10%	**11,231**
USD/AUD exchange rate - decrease 10%	**(11,231)**
EUR/AUD exchange rate - increase 10%	**(12,704)**
EUR/AUD exchange rate - decrease 10%	**12,704**
HKD/AUD exchange rate - increase 10%	**(7,202)**
HKD/AUD exchange rate - decrease 10%	**7,202**
Others/AUD exchange rate - increase 10%	**(1,557)**
Others/AUD exchange rate - increase 10%	**1,557**

3 Financial risk management (continued)

(b) Credit risk

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

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

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

In relation to receivable from manager, subject to the termination clause under the Investment Manager Agreement (IMA), the Investment Manager will be required to pay to the Company within 30 days of the termination all outstanding Offer Costs which have not at the date of the termination otherwise been recouped. The Company is exposed to risk that the Investment Manager will not meet its obligations under the management agreement. The Directors assess that the termination provisions in the IMA are highly unlikely to occur and the exposure to credit risk in relation to the receivable from manager as not significant through review of historical and projected financial condition of the Investment Manager. The Company’s maximum exposure is the carrying amount of receivable from manager disclosed in Statement of Financial Position.

None of these assets are overdue or considered to be impaired.

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

At 30 June 2018, the long term credit ratings of the Company's bank and prime brokers as per Standard and Poor's were as follows:

	2018
National Australia Bank	AA-
Morgan Stanley & Co. International plc	A+
Credit Suisse AG	A
L1 Capital Pty Ltd	N/A

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

(c) Liquidity risk

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

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

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

Maturities of financial liabilities

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

Maturities of net settled derivative financial instruments

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

4 Fair value measurements

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

- Financial instruments held for trading
- Financial instruments designated at fair value through profit or loss (FVTPL)

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

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

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

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

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

The quoted market price used for financial assets held by the Company is the last sales price. When the Company holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

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

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

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

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

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

4 Fair value measurements (continued)

(iii) Recognised fair value measurements

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

At 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Australian share price index futures	**2,156**	**-**	**-**	**2,156**
Swaps	**-**	**270**	**-**	**270**
Financial assets designated at fair value through profit or loss:				
Australian listed equity securities	**871,121**	**-**	**-**	**871,121**
International listed equity securities	**467,590**	**-**	**-**	**467,590**
Total financial assets	**1,340,867**	**270**	**-**	**1,341,137**
Financial liabilities				
Financial liabilities held for trading:				
Swaps	**-**	**5,587**	**-**	**5,587**
Financial liabilities designated at fair value through profit or loss:				
Australian listed equity securities	**549,432**	**-**	**-**	**549,432**
International listed equity securities	**159,872**	**-**	**-**	**159,872**
Australian listed property trusts	**40,520**	**-**	**-**	**40,520**
Total financial liabilities	**749,824**	**5,587**	**-**	**755,411**

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.

There were no transfers between levels in the fair value hierarchy for the period ended 30 June 2018.

(iv) Disclosed fair values

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

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

5 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

Income taxes

The Company has recognised deferred tax assets relating to current period tax losses, offer costs expense and unrealised losses on investments of $43,867,000 at 30 June 2018.The utilisation of tax losses depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is supported by the Investment Manager's long term performance and profitability. New information may become available that may cause the Company to change its judgement regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore would have to rely on the same business test. If the Company fails to satisfy the test, the deferred tax asset of $8,505,000 that are currently recognised would be written off to income tax expense. Refer to Note 12 for further discussion of accounting for deferred tax assets.

Financial instruments

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see Note 4 to the financial statements.

Receivable from Manager

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

The Company also evaluates that there is no objective evidence that an impairment loss should be recognised in this financial asset given the Investment Manager has no significant financial difficulty, default or concession made during the period. Directors’ assessment is disclosed in credit risk note under Financial Risk Management.

6 Segment information

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

7 Income tax benefit

(a) Income tax benefit through profit or loss

	For the period 14 December 2017 to 30 June 2018 $'000
Income tax benefit	**(32,634)**
	(32,634)
Income tax benefit is attributable to:	
Loss from continuing operations	**(32,634)**

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

	For the period 14 December 2017 to 30 June 2018 $'000
Loss from continuing operations before income tax benefit	**(108,073)**
Tax at the Australian tax rate of 30.0%	**(32,422)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
Imputation credit gross up	**211**
Franked dividends not subject to tax	**(423)**
Income tax benefit	**(32,634)**
The applicable weighted average effective tax rates are as follows:	(30.20%)

(c) Amounts recognised directly in equity

	Notes	For the period 14 December 2017 to 30 June 2018 $'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax - Share issue costs	12	**8,693**

8 Current assets - Cash and cash equivalents

	At 30 June 2018 $'000
Cash at bank	**362,307**
Cash at broker	**748,662**
	1,110,969

9 Current assets - Other receivables

	At 30 June 2018 $'000
Dividends receivable	**2,659**
Interest receivable	**920**
GST receivable	**3,098**
Withholding tax receivable	**459**
Due from brokers	**70,165**
	77,301

Receivables are non-interest bearing and unsecured.

Fair value

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

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

	At 30 June 2018 $'000
Held for trading	
Australian share price index futures	**2,156**
Swaps	**270**
Designated at fair value through profit or loss	
Australian listed equity securities	**871,121**
International listed equity securities	**467,590**
Total financial assets held at fair value through profit or loss	**1,341,137**

Listed securities are readily saleable with no fixed terms.

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

(a) Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial period was 1,620. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was $5,357,000 (inclusive of GST).

(b) Risk exposure and fair value measurements

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

11 Derivative financial instruments

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

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

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

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

The Company holds the following derivative instruments:

Futures

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

Equity swaps

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

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

30 June 2018		**Fair values $'000**	
	Notional values $'000	**Assets**	**Liabilities**
Australian share price index futures	**84,535**	**2,156**	**-**
Swaps	**27,095**	**270**	**-**
Swaps	**26,303**	**-**	**5,587**

Risk exposures and fair value measurements

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

11 Derivative financial instruments (continued)

Offsetting of derivative financial instruments

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

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

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

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

30 June 2018	Gross amounts	Amounts set off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Cash collateral (received)/pledged	Net amount
	$'000	$'000	$'000	$'000	$'000
Derivative assets					
Credit Suisse AG	**2,156**	**-**	**2,156**	**-**	**2,156**
Morgan Stanley & Co. International plc	**405**	**(135)**	**270**	**5,254**	**5,524**
Derivative liabilities					
Credit Suisse AG	**5,587**	**-**	**5,587**	**-**	**5,587**
Morgan Stanley & Co. International plc	**135**	**(135)**	**-**	**-**	**-**

12 Non-current assets - Deferred tax assets

	At 30 June 2018 $'000
The balance comprises temporary differences attributable to:	
Tax losses	**8,505**
Net unrealised losses on investments	**26,664**
Capitalised share issue costs	**8,693**
Other temporary differences	**5**
	43,867

	At 30 June 2018 $'000
Movements:	
Opening balance	**-**
Credited:	
- directly to equity	**8,693**
- directly to profit or loss	**35,174**
Closing balance	**43,867**

13 Current liabilities - Other payables

	At 30 June 2018 $'000
Management fees payable	**1,540**
Interest payable	**962**
Due to brokers	**39,224**
Short dividends payable	**4,691**
Other payables	**1,940**
	48,357

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

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

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

	At 30 June 2018 $'000
Held for trading	
Swaps	5,587
Designated at fair value through profit or loss	
Australian listed equity securities	549,432
International listed equity securities	159,872
Australian listed property trusts	40,520
Total financial liabilities held at fair value through profit or loss	755,411

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 30 June 2018 $'000
The balance comprises temporary differences attributable to:	
Other temporary differences	367
	367

Movements:	At 30 June 2018 $'000
Opening balance	-
Charged:	
- profit or loss	367
Closing balance	367

16 Issued capital

(a) Share capital

	Notes	30 June 2018 Shares '000	30 June 2018 $'000
Ordinary shares	16(c)	**664,839**	**1,329,678**

(b) Movements in issued capital

	Notes	30 June 2018 Shares '000	30 June 2018 $'000
Opening balance - 14 December 2017		-	-
Shares issued	16(d)	664,839	1,329,678
Capital raising costs		-	(36,219)
Capital raising costs - tax effect		-	10,866
Closing balance - 30 June 2018		**664,839**	**1,304,325**

(c) Ordinary shares

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

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

(d) Shares issued

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

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

(e) Capital risk management

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

To achieve this, the Board 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 Dividends

(a) Dividend rate

There were no dividends paid or declared during the period.

(b) Dividend franking account

The Company's franking account balance as at 30 June 2018 was $nil. Subsequent to period end, the Company will receive $606,000 in franking credits as a result of dividends accrued at 30 June 2018.

18 Key management personnel disclosures

(a) Key management personnel compensation

	For the period 14 December 2017 to 30 June 2018 $
Short-term employee benefits	**120,048**
Post-employment benefits	**11,404**
	131,452

As at 30 June 2018, total directors' fees payable amounted to $75,179.

Detailed remuneration disclosures are provided in the remuneration report.

(b) Equity instrument disclosures relating to key management personnel

Share holdings

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

30 June 2018	Balance at date of incorporation	Net movement	Balance at end of the period
Directors of L1 Long Short Fund Limited			
Andrew Larke	**-**	**525,000**	**525,000**
John Macfarlane	**-**	**500,000**	**500,000**
Harry Kingsley	**-**	**25,000**	**25,000**
Raphael Lamm*	**1**	**2,500,000**	**2,500,001**
Mark Landau*	**-**	**2,500,000**	**2,500,000**
Joel Arber - resigned 24 January 2018	**-**	**294,118**	**294,118**
	1	**6,344,118**	**6,344,119**

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

All of the key management personnel held shares during the period ended 30 June 2018.

19 Remuneration of auditors

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

	For the period 14 December 2017 to 30 June 2018 $
Audit and other assurance services	
Audit of financial statements	**41,250**
Total remuneration for audit and other assurance services	**41,250**
Total remuneration of Ernst & Young	**41,250**

The Company's Audit and Risk Committee oversees the relationship with the Company's External Auditors. The Audit and Risk Committee reviews the scope of the audit and the proposed fee.

20 Contingent assets and liabilities and commitments

The Company had no contingent assets, liabilities or commitments as at 30 June 2018.

21 Related party transactions

(a) Key management personnel

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

(b) Transactions with other related parties

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

L1 Capital Pty Limited is a Director associated entity and has been appointed to manage the investment portfolio of L1 Long Short Fund Limited. L1 Capital Pty Limited operates a funds management business. In its capacity as Investment Manager, L1 Capital Pty Limited is entitled to be paid a management fee equal to 1.40% (plus GST) per annum (1.4350% inclusive of the net impact of GST and RITC) of the value of the portfolio calculated daily. Under the Investment Management Agreement, the Company will not pay any management fees that would otherwise have been payable to the Investment Manager, until such time as all of the Company's offer costs have been recouped.

During the period, the total offer costs paid by the Company amounted to $38,868,972. As at 30 June 2018, the balance of the Company's receivable from manager amounted to $33,869,014, presented as current and non-current asset in the Statement of Financial Position amounting to $19,796,023 and $14,072,991, respectively.

Management fees incurred during the period amounted to $3,624,913. Of the total management fees incurred, $1,540,350 has not been recouped from receivable from manager as at period end. For the period ended 30 June 2018 in its capacity as Investment Manager, L1 Capital Pty Limited was paid management fees through recoupment of the Company's offer costs.

21 Related party transactions (continued)

(b) Transactions with other related parties (continued)

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

There was no performance fee incurred during the period. For the period ended 30 June 2018 in its capacity as Investment Manager, L1 Capital Pty Limited was not paid a performance fee.

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

22 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period 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 periods.

23 Reconciliation of loss after income tax to net cash outflow from operating activities

	For the period 14 December 2017 to 30 June 2018 $'000
Loss for the year	**(75,439)**
Purchase of financial instruments held at fair value through profit or loss	**(861,596)**
Proceeds from sale of financial instruments held at fair value through profit or loss	**103,612**
Net realised losses on financial instruments designated at fair value through profit or loss	**55,570**
Net unrealised losses on financial instruments designated at fair value through profit or loss	**81,827**
Net realised losses on financial instruments held for trading	**759**
Net unrealised losses on financial instruments held for trading	**3,161**
Effects of foreign currency exchange rate changes on cash and cash equivalents	**(1,245)**
Change in operating assets and liabilities:	
Increase in other receivables (current)	**(24,282)**
Increase in other non-current assets	**(14,073)**
Increase in deferred tax assets	**(33,001)**
Increase in other payables	**9,133**
Increase in deferred tax liabilities	**367**
Net cash outflow from operating activities	**(755,207)**

24 Losses per share

(a) Basic losses per share

	For the period 14 December 2017 to 30 June 2018 Cents
Basic losses per share attributable to the ordinary equity holders of the Company	**11.35**

(b) Diluted losses per share

	For the period 14 December 2017 to 30 June 2018 Cents
Diluted losses per share attributable to the ordinary equity holders of the Company	**11.35**

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

(c) Weighted average number of shares used as denominator

	For the period 14 December 2017 to 30 June 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	**664,839,144**
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted losses per share	**664,839,144**

The weighted average number of shares used as the denominator in calculating basic and diluted losses per share was based on the average number of shares from 24 April 2018, being the date of initial public offering, to 30 June 2018.

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

(a) the financial statements and notes set out on pages 11 to 39 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 2018 and of its performance for the period ended on that date; and
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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

Andrew Larke
Independent Chairman

Melbourne
29 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of L1 Long Short Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the period ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

1. Investment Existence, Valuation and Classification

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equity securities, equity swaps and future contracts. As at 30 June 2018, the values of these financial assets and financial liabilities, per Note 10 and Note 14 to the financial report were $1,341,137,000 and $755,411,000, which equates to 51.44% and 54.81%, of the total assets and total liabilities, respectively of the Company. As detailed in the Company's accounting policy, as described in Note 2(h) of the financial report, these financial assets and financial liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and financial liabilities, and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the effectiveness of the controls relating to recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator, in relation to the Fund Administration Services it provided for the period ended 30 June 2018 and considered the auditor's qualifications, objectivity and the results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2018. We assessed the fair value of all investments in the portfolio held at 30 June 2018. For listed securities, the values were agreed to independently sourced market prices. For unlisted derivatives, the values were agreed to independently sourced observable market inputs applied to appropriate valuation models. We assessed the adequacy of the disclosures in Note 4, Note 10, Note 11 and Note 14 of the financial report.

2. Management and Performance Fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to L1 Capital Pty Ltd ("L1" or "the Manager") are the most significant expenses of the Company.	We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Company's administrator, who has responsibility for the calculation.

The Company's accounting policy for management and performance fees is described in Note 21 of the financial report. The management fee is calculated daily and paid monthly in arrears. The Manager is entitled to be paid monthly a management fee equal to 1.4% (plus GST) per annum of the value of the portfolio. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the obligation has crystallised. All expenses are recognised on an accrual basis. As at 30 June 2018, management fee totaled $3,625,000 which equates to 19.58% of total expenses. As at 30 June 2018, the Company had $nil performance fees. The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance. The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees relating to future periods, resulted in this being a key area of audit focus. The disclosure of this amount is included in Note 21 to the financial report.	We recalculated management and performance fees in accordance with relevant service arrangement including agreeing the contract rate to the calculation. We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation of $nil, was in accordance with the relevant services agreement. We assessed the adequacy of the disclosures in Note 21 to the financial report.

3. Accounting for Receivable from Manager (Offer Cost)

Why significant	How our audit addressed the key audit matter
The Company has entered into an Investment Management Agreement ("IMA") with the Manager that entitles the Company to be reimbursed for the Offer Costs incurred during the year in relation to the initial public offering through monthly installments. Under IMA, the Company will not pay management fees and apply such amounts as repayment of the Offer Costs until all of the costs have been paid in full.	We reviewed the IMA and assessed the Company's accounting treatment for this transaction from initial recognition to subsequent measurement (including impairment and discounting) in accordance with Australian Accounting Standards. We analysed the composition of the Offer Costs comprising the expense, to ensure they meet the definition of "Offer Costs" based on the IMA. We agreed these expenses to supporting documentation, such as supplier invoices.

Under IMA, if the Manager is terminated in accordance with the agreement, the Manager must pay to the Company within 30 days of the termination all outstanding Offer Costs which have not at the date of the termination otherwise been recouped. As at 30 June 2018, offer costs reimbursement income and the corresponding receivable totaled $36,219,000 and $33,869,000 which equates to 40.44% and 1.30% of total investment loss and total assets, respectively. The significant amount of this asset and the fact that it is a related party transaction result in this being a key area of audit focus. The disclosure of this amount is included in Note 21 to the financial report.	We considered the Company's determination that the Receivable from the Manager is recoverable and likelihood of the Manager's termination based on the IMA is unlikely. We considered whether the taxation effects of this transaction were correctly addressed. We assessed the adequacy of the disclosures in Note 21 of the financial report.

4. Recoverability of deferred tax assets

Why significant	How our audit addressed the key audit matter
At 30 June 2018, the Company recognised $43,867,000 of net deferred tax assets ("DTA") relating to carry forward tax losses. The analysis of the recognition and recoverability of the DTA was significant to our audit because the amounts are material, the assessment process is judgmental and is based on assumption that are affected by expected future market or economic conditions. The Company recognised the DTA to the extent that it is probable that future taxable profits will allow the DTA to be recovered as disclosed in Note 12 of the financial report. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.	Our tax specialists assessed the availability of the underlying tax losses to the Company based applicable tax legislation. We considered the Company's determination of future taxable income and hence the recoverability of the deferred tax assets. We performed sensitivity analyses and evaluated the key assumptions with reference to historical data and available market information. We assessed the adequacy of the disclosures in Note 12 of the financial report.

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current 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 Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the Directors' Report for the period ended 30 June 2018.

In our opinion, the Remuneration Report of L1 Long Short Fund Limited for the period ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
29 August 2018