



28 February 2023

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

RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2022

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

- Appendix 4D for the half-year ended 31 December 2022; and
- Interim Report for the half-year ended 31 December 2022.

For any further enquiries please contact L1 Long Short Fund Limited on 03 9286 7000.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Licciardo', with a long horizontal stroke extending to the right.

Mark Licciardo
Company Secretary



Appendix 4D

For the half-year ended 31 December 2022

Half-year report

This report is for the half-year from 1 July 2022 to 31 December 2022 (HY FY23). The previous corresponding period was 1 July 2021 to 31 December 2021 (HY FY22).

Results for announcement to the market

	HY FY23 \$'000	HY FY22 \$'000	Up/down	Movement %
Income from ordinary activities	286,546	261,379	Up	10
Income before income tax attributable to the ordinary equity holders	183,998	175,813	Up	5
Income after income tax attributable to the ordinary equity holders	131,111	129,829	Up	1

Dividend information

	Cents per share	Franked amount per share	Tax rate for Franking
2023 Interim dividend declared	5c	5c	30%

Interim dividend dates

Ex-dividend date	15 March 2023
Record date	16 March 2023
Last election date for the DRP	17 March 2023
Payment date	4 April 2023

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation under which the shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Participating shareholders will be entitled to be allotted the number of shares (rounded down to the nearest whole number) which the cash dividend would purchase at the relevant allocation price. The relevant allocation price is the arithmetic average of the daily volume weighted average sale price (calculated to the nearest cent) of shares traded on the ASX over the five trading days commencing on the ex-dividend date for the relevant dividend, without any discount. The last day for the receipt of an election notice for participation in the DRP is 17 March 2023.

Net tangible assets

	31 December 2022 \$	31 December 2021 \$
Net tangible asset backing (per share) before tax	2.9656	2.9675
Net tangible asset backing (per share) after tax	2.9224	2.7735

* The NTA before tax is calculated before the provision for deferred tax on unrealised gains and losses on the investment portfolio. The NTA after tax is calculated after all taxes.



Appendix 4D

Continued

Brief explanation of results

For the period from 1 July 2022 to 31 December 2022, the Company recorded a profit before tax of \$184 million (2021: \$176 million) and a net profit after tax of \$131 million (2021: \$130 million).

The net tangible asset (NTA) backing per share before tax was \$2.9656 as at 31 December 2022, a decrease of 0.06% compared with \$2.9675 as at 31 December 2021. The NTA after tax was \$2.9224. The Company paid a fully franked dividend of 4.5 cents per share in September 2022.

Throughout 2022, significant economic and geopolitical headwinds weighed on market sentiment and drove ongoing volatility and erratic selling in global markets. Against this challenging backdrop, the Company's portfolio outperformed broader markets through strong stock selection focused on companies with undervalued share prices, as well as support from market optimism that inflation had finally peaked and early signs that China was moving away from its strict 'zero COVID' policy. The Investment Manager focused long positions in low P/E stocks with under-gearred balance sheets and strong cashflow generation, providing both safety and value for the portfolio. Conversely, the Investment Manager evolved the short book as various catalysts played out, focusing on high P/E stocks and 'expensive defensives' which they viewed as crowded, risky and unappealing, resulting in significant added value from short stock selection. Overall, the Investment Manager continued to reduce the portfolio's net long exposure over the period and to find relatively more opportunities in international markets.

The Investment Manager believes equity markets are likely to experience a more uncertain period due to the lagged impact of aggressive Central Bank policy tightening, deteriorating leading economic indicators, increasing pressure on corporate earnings and tail risk from geopolitical events. Despite their cautious view on the macro environment, they continue to believe the current environment provides the Company's portfolio with a strong set of long and short opportunities going forward.

Further information

This report is based on the Interim Financial Report which has been subject to independent review by the Company's auditors, Ernst & Young. All these documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2022 Annual Financial Report.



L1 CAPITAL

Interim Financial Report

For the half-year ended 31 December 2022

L1 Long Short Fund Limited

ABN 47 623 418 539

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This interim financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by L1 Long Short Fund Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



Corporate Directory

Directors

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

Company secretary

Mark Licciardo

Registered office

Acclime Australia Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne VIC 3000
Phone: (03) 8689 9997

Investment manager

L1 Capital Pty Limited
Level 45, 101 Collins Street
Melbourne VIC 3000
Phone: (03) 9286 7000

Administrator

Apex Fund Services Pty Ltd
(an Apex Group Company)*
Level 1, 51-57 Pitt Street
Sydney NSW 2000
Phone: (02) 8259 8508

Share registrar

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne VIC 3008
Phone: 1800 129 431

For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.

Auditors

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Phone: (03) 9288 8000

Securities exchange listing

Australian Securities Exchange (ASX)
The home exchange is Melbourne.
ASX code: LSF Ordinary shares

Website

www.L1LongShort.com

*Effective on 21 October 2022, Mainstream Fund Services Pty Ltd changed its name to Apex Fund Services Pty Ltd.



Directors' Report

The Directors present their report together with the interim financial statements of L1 Long Short Fund Limited (the "Company") for the half-year ended 31 December 2022.

Directors

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

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

Principal activities

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

There were no significant changes in the nature of the activity of the Company during the period.

Dividends

On 26 August 2022, the Directors declared a fully franked interim dividend of 4.50 cents per share with record date of 13 September 2022 and paid to the shareholders on 30 September 2022.

On 28 February 2023, the Directors declared a fully franked interim dividend of 5 cents per share with record date of 16 March 2023 and payable to the shareholders on 4 April 2023.

The Dividend Reinvestment Plan (DRP) is in operation under which the shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Participating shareholders will be entitled to be allotted the number of shares (rounded down to the nearest whole number) which the cash dividend would purchase at the relevant allocation price. The relevant allocation price is the arithmetic average of the daily volume weighted average sale price (calculated to the nearest cent) of shares traded on the ASX over the five trading days commencing on the ex-dividend date for the relevant dividend, without any discount. The last day for the receipt of an election notice for participation in the DRP is 17 March 2023.

Dividend profit reserve

The Company may transfer any current period or prior period accumulated profits not distributed as dividends to a dividend profit reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

On 29 December 2022, the Directors resolved to approve the transfer of any resulting net profit after tax for the half-year ended 31 December 2022 to the dividend profit reserve as at 31 December 2022. Accordingly, the transfer of \$131,111,000 was made to the reserve.

The balance of the dividend profit reserve as of 31 December 2022 is \$707,066,000.



Director's Report

Continued

Review of operations

The operating profit before tax was \$183,998,000 for the half-year ended 31 December 2022 (31 December 2021: \$175,813,000). The net result after tax was a profit of \$131,111,000 (31 December 2021: \$129,829,000).

The net tangible asset backing before tax as at 31 December 2022 was \$2.9656 per share (31 December 2021: \$2.9675).

The Company's performance exceeded its high watermark as of the performance calculation period ended 31 December 2022 giving the Investment Manager an entitlement to a performance fee. Please refer to Note 6 for further details.

On 27 February 2020, the Company announced a new on-market buy-back of up to 10% of its shares, commencing 16 March 2020 and continuing for up to 12 months. The Company announced on 12 February 2021 that it would extend its share buy-back program for a further 12 months from 16 March 2021. On 18 May 2022, the Company announced a renewal of the on-market buy-back program that the Company previously had in place, commencing 1 June 2022 and continuing for up to 12 months. No shares were bought back over the period 1 July 2022 to 31 December 2022 (31 December 2021: Nil). Please refer to Note 8 for further details.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the half-year ended 31 December 2022.

Matters subsequent to the end of the reporting period

Other than the dividends declared in the dividends section above, in the latest release to the ASX on 28 February 2023, the Company reported NTA at 23 February 2023 as follows:

	23 February 2023 (A) \$	31 December 2022 (B) \$
Net tangible asset backing (per share) before tax ^(c)	3.0166	2.9656
Net tangible asset backing (per share) after tax ^(c)	2.9583	2.9224

(A) The NTA announcement is approximate and not reviewed by Ernst & Young.

(B) NTA reviewed by Ernst & Young.

(C) The NTA before tax is calculated before the provision for the deferred tax on unrealised gains and losses on the investment portfolio. The NTA after tax is calculated after all taxes.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, the amounts in the Directors' Report and in the interim 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 6.

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

Andrew Larke

Independent Chairman

Melbourne

28 February 2023

Auditor's Independence Declaration



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

As lead auditor for the review of the half-year financial report of L1 Long Short Fund Limited for the half-year ended 31 December 2022, 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 review;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

Ernst & Young



Emma Reekie
Partner
Melbourne
28 February 2023



Statement of Comprehensive Income

For the half-year ended 31 December 2022

	Notes	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
Investment income			
Net gains on financial instruments at fair value through profit or loss		251,005	255,108
Dividend income		31,551	33,494
Interest income from financial assets at amortised cost		5,840	114
Net foreign exchange losses		(2,317)	(27,792)
Expense reimbursement from Investment Manager		442	455
Other income		25	-
Total investment income		286,546	261,379
Expenses			
Management fees	6	(12,070)	(13,440)
Performance fees	6	(47,432)	(44,816)
Brokerage expense		(9,493)	(7,211)
Dividend expense		(12,280)	(11,429)
Interest expense		(14,992)	(5,292)
Stock loan fees		(2,284)	(1,321)
Administration fees		(131)	(127)
Share registry fees		(109)	(130)
Secretarial fees		(29)	(34)
Legal fees		(19)	(30)
Withholding tax on foreign dividends		(2,882)	(1,019)
Directors' fees		(190)	(182)
ASX fees		(149)	(153)
Audit fees		(44)	(44)
Other expenses		(444)	(338)
Total operating expenses		(102,548)	(85,566)
Profit for the half-year before income tax		183,998	175,813
Income tax expense		(52,887)	(45,984)
Profit for the half-year after tax		131,111	129,829
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		131,111	129,829
Profits per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		21.41	21.35
Diluted earnings per share		21.41	21.35

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



Statement of Financial Position

As at 31 December 2022

	Notes	As at	
		31 December 2022 \$'000	30 June 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,113,787	1,310,828
Other receivables		74,581	80,722
Receivable from Investment Manager		37	60
Financial assets at fair value through profit or loss	3	2,486,354	2,952,985
Other current assets		174	568
Prepaid income tax		27,183	-
Total current assets		3,702,116	4,345,163
Total assets			
Non-current assets			
Deferred tax assets	7	-	28,911
Total non-current assets		-	28,911
Total assets		3,702,116	4,374,074
LIABILITIES			
Current liabilities			
Broker advances		779,431	1,731,624
Other payables		139,625	65,550
Income tax payable		-	83,818
Financial liabilities at fair value through profit or loss	3	960,852	807,656
Total current liabilities		1,879,908	2,688,648
Non-current liabilities			
Deferred tax liabilities	7	26,568	-
Total non-current liabilities		26,568	-
Total liabilities		1,906,476	2,688,648
Net assets		1,795,640	1,685,426
EQUITY			
Issued capital	8	1,235,065	1,228,460
Dividend profit reserve	10	707,066	603,457
Accumulated losses		(146,491)	(146,491)
Total equity		1,795,640	1,685,426

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



Statement of Changes in Equity

For the half-year ended 31 December 2022

	Notes	Issued capital \$'000	Dividend profit reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000
Balance as at 1 July 2021		1,215,825	504,977	(146,491)	1,574,311
Profit for the half-year after tax		-	-	129,829	129,829
Other comprehensive income for the half-year, after tax		-	-	-	-
Total comprehensive income for the half-year		-	-	129,829	129,829
Transactions with owners in their capacity as owners:					
Capital raising costs – tax effect		(1,086)	-	-	(1,086)
Performance fee reinvestment		5,279	-	-	5,279
Dividend reinvestment		3,528	-	-	3,528
Dividend paid		-	(18,199)	-	(18,199)
Transfer to dividend profit reserve account		-	129,829	(129,829)	-
Balance as at 31 December 2021		1,223,546	616,607	(146,491)	1,693,662
Balance as at 1 July 2022		1,228,460	603,457	(146,491)	1,685,426
Profit for the half-year after tax		-	-	131,111	131,111
Other comprehensive income for the half-year, after tax		-	-	-	-
Total comprehensive income for the half-year		-	-	131,111	131,111
Transactions with owners in their capacity as owners:					
Dividend reinvestment	8	6,605	-	-	6,605
Dividend paid	10	-	(27,502)	-	(27,502)
Transfer to dividend profit reserve account	10	-	131,111	(131,111)	-
Balance as at 31 December 2022		1,235,065	707,066	(146,491)	1,795,640

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



Statement of Cash Flows

For the half-year ended 31 December 2022

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities		
Purchase of financial instruments at fair value through profit or loss	(3,180,166)	(2,617,826)
Proceeds from sale of financial instruments at fair value through profit or loss	4,083,645	2,461,831
Dividends received	32,748	34,303
Trust distributions received	–	547
Interest income received from financial assets measured at amortised cost	5,045	92
Expense reimbursement received	465	434
Other income received	25	–
Brokerage expenses paid	(9,493)	(7,211)
Dividends paid on short positions	(13,903)	(11,237)
Stock loan fees paid	(2,561)	(1,345)
ASX fees paid	(149)	(153)
Net GST paid	(7)	(97)
Interest paid	(14,012)	(4,903)
Other expenses paid	(14,862)	(76,177)
Income tax paid	(108,409)	–
Net cash inflow from/(used in) operating activities	778,366	(221,742)
Cash flows from financing activities		
Dividend paid	(20,897)	(14,671)
Broker advances (repaid)/received	(952,193)	178,879
Net cash (used in)/inflow from financing activities	(973,090)	164,208
Net decrease in cash and cash equivalents	(194,724)	(57,534)
Cash and cash equivalents at the beginning of the half-year	1,310,828	483,995
Effects of exchange rate changes on cash and cash equivalents	(2,317)	(27,792)
Cash and cash equivalents at the end of the half-year	1,113,787	398,669

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



Notes to the Financial Statements

For the half-year ended 31 December 2022

1. General information

L1 Long Short Fund Limited (the “Company”) is a listed public company domiciled in Australia. The Company’s registered address is Acclime Australia Corporate Services Pty Ltd, Level 7, 330 Collins Street, Melbourne VIC 3000.

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

The interim financial statements of the Company are for the period 1 July 2022 to 31 December 2022. The previous corresponding period was 1 July 2021 to 31 December 2021.

The interim financial statements were authorised for issue by the Board of Directors on 28 February 2023.

2. Summary of significant accounting policies

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

(a) Basis of preparation

These interim financial statements for the half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

The Company is a for-profit entity for the purpose of preparing the interim financial statements.

This interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by L1 Long Short Fund Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The accounting policies applied in these interim financial statements are the same as those applied in the Company’s financial statements for the year ended 30 June 2022.

(i) New standards and interpretations adopted by the Company

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Company.

(b) Rounding of amounts

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

(c) Comparative revisions

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



Notes to the Financial Statements

Continued

3. Fair value measurements

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

- Equity securities
- Derivatives
- Listed unit trusts

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

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Continued

3. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(iii) Recognised fair value measurements

The following tables present the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2022 and 30 June 2022.

At 31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Australian share price index futures	16,913	-	-	16,913
Options	-	1,255	-	1,255
Australian listed equity securities	1,471,417	-	-	1,471,417
International listed equity securities	996,769	-	-	996,769
Total financial assets at fair value through profit or loss	2,485,099	1,255	-	2,486,354
Financial liabilities at fair value through profit or loss				
Australian listed equity securities	699,843	-	-	699,843
International listed equity securities	261,009	-	-	261,009
Total financial liabilities at fair value through profit or loss	960,852	-	-	960,852



Notes to the Financial Statements

Continued

3. Fair value measurements (continued)

(a) Fair value hierarchy continued

(iii) Recognised fair value measurements continued

At 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Swaps	-	1,255	-	1,255
Australian share price index futures	11,825	-	-	11,825
Options	-	11,009	-	11,009
Australian listed equity securities	1,855,083	-	-	1,855,083
International listed equity securities	1,073,813	-	-	1,073,813
Total financial assets at fair value through profit or loss	2,940,721	12,264	-	2,952,985
Financial liabilities at fair value through profit or loss				
Swaps	-	1,056	-	1,056
Australian listed equity securities	615,175	-	-	615,175
International listed equity securities	191,425	-	-	191,425
Total financial liabilities at fair value through profit or loss	806,600	1,056	-	807,656

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 half-year.

(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.



Notes to the Financial Statements

Continued

4. 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.

(i) Income taxes

The Company has recognised deferred tax liabilities from unrealised gains on investments of \$63,684,000 at 31 December 2022 (30 June 2022: \$5,366,000) and deferred tax assets relating to current year tax losses and other temporary differences of \$37,116,000 at 31 December 2022 (30 June 2022: \$34,277,000). Refer to Note 7 for further discussion of accounting for deferred taxes.

5. 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.

6. Management and performance fee

Management fees (inclusive of the net impact of GST and RITC) during the period ended 31 December 2022 amounted to \$12,070,000 (31 December 2021: \$13,440,000) of which \$2,145,000 (31 December 2021: \$2,254,000) remained payable as at period end.

In addition, L1 Capital Pty Limited is entitled to be paid by the Company a fee equal to 20.00% (plus GST) (20.50% inclusive of the net impact of GST and Reduced Input Tax Credit (RITC)) of the Portfolio's outperformance, if any, over each performance calculation period, subject to a high watermark mechanism.

Performance fees (inclusive of the net impact of GST and RITC) incurred during the period ended 31 December 2022 amounted to \$47,432,000 (31 December 2021: \$44,816,000) of which \$47,446,000 (31 December 2021: \$44,816,000) remained payable as at period end.

A summary of the key terms of the Company's performance fee calculation and reinvestment arrangements is contained in Section 9.1 of the Company's Prospectus which was issued on 16 February 2018.

Notes to the Financial Statements

Continued

7. Deferred taxes

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Net unrealised losses on investments	37,072	34,254
Other temporary differences	44	23
Deferred tax assets	37,116	34,277
Deferred tax liabilities		
Net unrealised gains on investments	63,616	4,314
Other temporary differences	68	1,052
Deferred tax liabilities	63,684	5,366
Deferred tax (liabilities)/assets, net	(26,568)	28,911

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Movements:		
Deferred tax assets		
Opening balance	34,277	2,185
Credited:		
Directly to equity	-	(2,172)
Directly to profit or loss	2,839	34,264
Closing balance, Deferred tax assets	37,116	34,277
Deferred tax liabilities		
Opening balance	5,366	119,565
Charged:		
Directly to profit or loss	58,318	(114,199)
Closing balance, Deferred tax liabilities	63,684	5,366
Closing balance, Deferred tax assets/(liabilities), net	(26,568)	28,911



Notes to the Financial Statements

Continued

8. Issued capital

(a) Share capital

	31 December 2022 Shares '000	30 June 2022 Shares '000	31 December 2022 \$'000	30 June 2022 \$'000
Ordinary shares	613,826	611,162	1,260,406	1,253,801

(b) Movements in issued capital

	Number of Shares '000	\$'000
Opening balance – 30 June 2022	611,162	1,228,460
Dividend reinvestment	2,664	6,605
Closing balance – 31 December 2022	613,826	1,235,065

	Number of Shares '000	\$'000
Opening balance – 30 June 2021	606,619	1,215,825
Dividend reinvestment	2,674	7,356
Performance fee reinvestment ⁽¹⁾	1,869	5,279
Closing balance – 30 June 2022	611,162	1,228,460

(1) Under the Investment Management Agreement (IMA), the owners of the Investment Manager will reinvest their after-tax proceeds from any performance fees (Performance Fee Reinvestment Amount) into shares in the Company. The Company will determine whether to issue new shares or the owners of the Investment Manager will acquire shares on-market based on the criteria set-out in the IMA. During the year ended 30 June 2022, 1,868,591 new shares were issued and 18,599,535 were bought on-market, resulting in a total of 20,468,216 shares being acquired or issued in relation to the Performance Fee Reinvestment Amount. Further information in respect of the Company's reinvestment of performance fee is contained in Section 9.1 of the Company's Prospectus which was issued on 16 February 2018.

(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

On 27 February 2020, the Company announced a new on-market buy-back of up to 10% of its shares, commencing 16 March 2020 and continuing for up to 12 months. The Company announced on 12 February 2021 that it would extend its share buy-back program for a further 12 months from 16 March 2021. On 18 May 2022, the Company announced a renewal of the on-market buy-back program that the Company previously had in place, commencing 1 June 2022 and continuing for up to 12 months. No shares were bought back over the period 1 July 2022 to 31 December 2022 (31 December 2021: Nil).

Notes to the Financial Statements

Continued

9. Dividends

(a) Dividend rate

On 26 August 2022, the Directors declared a fully franked interim dividend of 4.50 cents per share with record date of 13 September 2022 and paid to the shareholders on 30 September 2022.

On 28 February 2023, the Directors declared a fully franked interim dividend of 5 cents per share with record date of 16 March 2023 and payable to the shareholders on 4 April 2023.

(b) Dividend franking account

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
The amount of franking credits for subsequent reporting periods are:		
Franking account balance as at the end of the reporting period at tax rate of 30% (30 June 2022: 30%)	225,616	124,453
Franking credits that will arise from franked dividends receivable as at the end of the reporting period	-	696
Franking credits that will arise from the payment of income tax payable as at the end of the reporting period	-	83,818
	225,616	208,967
The amount of franking credits available for future reporting periods:		
Impact on the franking credit account of the dividend declared but not recognised as a liability at the end of the reporting period at tax rate of 30% (30 June 2022: 30%)	(13,153)	(11,699)
	212,463	197,268

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

Notes to the Financial Statements

Continued

10. Dividend profit reserve

The dividend profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividends payments. The allocation is determined at the end of each half-year where the Company reported a profit subject to the approval of the Directors.

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Movement in Dividend Profit Reserve		
Balance at the beginning of the period	603,457	504,977
Transferred from current period profits	131,111	141,073
Payment of dividend	(27,502)	(42,593)
Closing balance at the end of the period	707,066	603,457

On 29 December 2022, the Directors resolved to approve the transfer of any resulting net profit after tax for the half-year ended 31 December 2022 to the dividend profit reserve as at 31 December 2022. Accordingly, the transfer of \$131,111,000 was made to the reserve.

11. Contingent assets and liabilities and commitments

The Company had no contingent assets, liabilities or commitments as at 31 December 2022 (30 June 2022: Nil).

12. Events occurring after the reporting period

On 28 February 2023, the Directors declared a fully franked interim dividend of 5 cents per share with record date of 16 March 2023 and payable to the shareholders on 4 April 2023.

The Dividend Reinvestment Plan (DRP) is in operation under which the shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Participating shareholders will be entitled to be allotted the number of shares (rounded down to the nearest whole number) which the cash dividend would purchase at the relevant allocation price. The relevant allocation price is the arithmetic average of the daily volume weighted average sale price (calculated to the nearest cent) of shares traded on the ASX over the five trading days commencing on the ex-dividend date for the relevant dividend, without any discount. The last day for the receipt of an election notice for participation in the DRP is 17 March 2023.

There are no other matter or circumstances that have occurred since the end of the half-year that has significantly affected, or may affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial periods.



Directors' Declaration

For the half-year ended 31 December 2022

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

- (a) the interim financial statements and notes set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, 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 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink that reads "Andrew Larke".

Andrew Larke
Independent Chairman

Melbourne
28 February 2023

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

For the half-year ended 31 December 2022



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of L1 Long Short Fund Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Continued



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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young



Emma Reekie
Partner
Melbourne
28 February 2023



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