

Australian Leaders Fund Limited

ABN 64 106 845 970

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

Preliminary Final Report

This preliminary final report is for the reporting period from 1 July 2019 to 30 June 2020. The previous corresponding year end was 30 June 2019.

Results for announcement to the market

| | | | | | | |
|--|----|-------|------|--------------|----|------------|
| Revenue from ordinary activities | Up | 1075% | from | 1,667,763 | to | 19,603,825 |
| Profit/(Loss) before tax for the period | Up | 106% | from | (20,565,704) | to | 1,288,997 |
| Profit/(Loss) from ordinary activities after tax attributable to members | Up | 111% | from | (13,491,426) | to | 1,431,683 |

Dividends

| | Dividend Rate | Total Amount | Date of Payment | % Franked |
|--------------|----------------------|---------------------|------------------------|------------------|
| 2020 Interim | \$0.025 | \$5,089,607 | 16/03/2020 | 0 |
| 2019 Final | \$0.025 | \$5,964,633 | 29/11/2019 | 50 |

Net tangible assets

| | 30 June 2020 | 30 June 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Net tangible asset backing (per share) before tax | 1.12 | 1.15 |
| Net tangible asset backing (per share) after tax | 1.12 | 1.14 |

Audit

This report is based on the financial report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.

Review of operations

The profit from ordinary activities after income tax amounted to \$1,431,683 (2019: \$13,491,426 loss).

The net tangible asset backing for each ordinary share as at 30 June 2020 amounted to \$1.12 per share and \$1.04 per share excluding deferred tax asset (2019: \$1.14 and \$1.07 per share). The equivalent asset backing before tax was \$1.12 per share (2019: \$1.15 per share).

The gross portfolio value increased by 0.9% over the financial year (2019: decreased 5.9%) while the All Ordinaries Accumulation Index decreased by 7.2% (2019: increased 11.0%), representing an overperformance of 8.1% (2019: underperformance 16.9%). After deducting costs in funding the balance sheet, along with management fees and other expenses, the fund reported a negative 0.5% return for the year (2019: negative 7.2%).

The onset of the Coronavirus pandemic has had a significant impact on asset markets and the global financial system generally. Market risks relating to the COVID 19 crisis to which the Fund is exposed include increased volatility in the price of equity securities and increased foreign exchange and interest rate risks, arising from fluctuations in exchange and interest rates that are a result of extra-ordinary monetary policies being employed to mitigate economic damage and disruption to the global financial system. By virtue of its investment strategy, which provides the ability for the Investment Manager to hedge the Fund's exposure to each of these risks, the impact of the Coronavirus pandemic on the net assets attributable to unit holders is considered immaterial to the Fund.

The Coronavirus pandemic may also have an effect on credit risk and liquidity risk, to which the Fund is exposed. As with market risks, the Investment Manager has a comprehensive risk management framework in place to monitor and mitigate exposure to credit and liquidity risks. Any impact on credit and liquidity risks as a result of the Coronavirus is also expected to be immaterial.

Further information on the operating and financial performance of the Company will be provided in the Annual Report, to be released in September 2020.

Financial Position

The net asset value of the Company for the current financial year ended was \$216,874,931 (2019: \$276,639,372).

Australian Leaders Fund Limited
Statement of Comprehensive Income
For the year ended 30 June 2020

Statement of Comprehensive Income

| | Year ended | |
|--|---------------------|---------------------|
| Notes | 2020 | 2019 |
| | \$ | \$ |
| Investment income from ordinary activities | | |
| Net gains/(losses) on investments | 11,123,055 | (12,846,923) |
| Dividends and trust distributions | 5,144,708 | 7,097,048 |
| Interest | 3,270,953 | 7,417,638 |
| Other income | 65,109 | - |
| | 19,603,825 | 1,667,763 |
| Expenses | | |
| Management fees | (2,506,396) | (2,929,221) |
| Brokerage expense | (3,871,139) | (3,233,191) |
| Short dividend expense | (7,368,520) | (9,509,287) |
| Interest expense | (2,029,469) | (4,320,841) |
| Stock loan fees | (1,502,762) | (1,500,993) |
| Accounting fees | (151,214) | (122,226) |
| Share registry fees | (243,886) | (191,284) |
| Tax fees | (37,180) | (13,650) |
| Directors' fees | (90,000) | (90,000) |
| ASX fees | (89,589) | (77,886) |
| Audit fees | (59,576) | (43,724) |
| Other expenses | (365,097) | (201,164) |
| | (18,314,828) | (22,233,467) |
| Profit/(Loss) before income tax | 1,288,997 | (20,565,704) |
| Income tax benefit | 142,686 | 7,074,278 |
| Profit/(Loss) for the year | 1,431,683 | (13,491,426) |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive profit/(loss) for the year | 1,431,683 | (13,491,426) |
| | Cents | Cents |
| Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company: | | |
| Basic earnings/(loss) per share | 0.63 | (5.26) |
| Diluted earnings/(loss) per share | 0.63 | (5.26) |

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

Australian Leaders Fund Limited
Statement of Financial Position
As at 30 June 2020

Statement of Financial Position

| | | 2020 | At | 2019 |
|--|-------|--------------------|----|--------------------|
| | Notes | \$ | | \$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 1 | 192,480,163 | | 249,034,761 |
| Trade and other receivables | | 13,507,510 | | 31,604,510 |
| Financial assets at fair value through profit or loss | 2 | 96,445,244 | | 180,883,389 |
| Current tax assets | | 1,345,724 | | 3,123,540 |
| Total current assets | | 303,778,641 | | 464,646,200 |
| Non-current assets | | | | |
| Deferred tax assets | | 16,781,071 | | 16,795,294 |
| Total non-current assets | | 16,781,071 | | 16,795,294 |
| Total assets | | 320,559,712 | | 481,441,494 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 14,947,616 | | 25,676,081 |
| Derivative financial instruments | | 10,425 | | - |
| Financial liabilities at fair value through profit or loss | 3 | 88,332,908 | | 177,769,567 |
| Total current liabilities | | 103,290,949 | | 203,445,648 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 393,832 | | 1,356,474 |
| Total non-current liabilities | | 393,832 | | 1,356,474 |
| Total liabilities | | 103,684,781 | | 204,802,122 |
| Net assets | | 216,874,931 | | 276,639,372 |
| EQUITY | | | | |
| Issued capital | | 260,667,120 | | 310,809,004 |
| Profits reserve | | 1,154,160 | | 325,304 |
| Accumulated losses | | (44,946,349) | | (34,494,936) |
| Total equity | | 216,874,931 | | 276,639,372 |

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

Australian Leaders Fund Limited
Statement of Changes in Equity
For the year ended 30 June 2020

Statement of Changes in Equity

| Notes | Issued capital \$ | Profits reserve \$ | Accumulated losses \$ | Total \$ |
|--|-------------------------|--------------------------|-----------------------------|---------------------|
| Balance at 1 July 2018 | 335,660,880 | 4,880,272 | (15,153,276) | 325,387,876 |
| Loss for the year | - | - | (13,491,426) | (13,491,426) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (13,491,426) | (13,491,426) |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | - | (10,405,202) | - | (10,405,202) |
| On-market buy back | (24,851,876) | - | - | (24,851,876) |
| Transfer to profits reserve | - | 5,850,234 | (5,850,234) | - |
| | (24,851,876) | (4,554,968) | (5,850,234) | (35,257,078) |
| Balance at 30 June 2019 | 310,809,004 | 325,304 | (34,494,936) | 276,639,372 |
| Balance at 1 July 2019 | 310,809,004 | 325,304 | (34,494,936) | 276,639,372 |
| Profit for the year | - | - | 1,431,683 | 1,431,683 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | 1,431,683 | 1,431,683 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | - | (11,054,240) | - | (11,054,240) |
| On-market buy back | (20,367,147) | - | - | (20,367,147) |
| Off-market buy back | (29,774,737) | - | - | (29,774,737) |
| Transfer to profits reserve | - | 11,883,096 | (11,883,096) | - |
| | (50,141,884) | 828,856 | (11,883,096) | (61,196,124) |
| Balance at 30 June 2020 | 260,667,120 | 1,154,160 | (44,946,349) | 216,874,931 |

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

Australian Leaders Fund Limited
Statement of Cash Flows
For the year ended 30 June 2020

Statement of Cash Flows

| | Year ended | |
|---|----------------------|---------------------|
| Notes | 2020 | 2019 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Purchase of financial assets | (1,406,351,773) | (1,214,619,104) |
| Proceeds from sale of financial assets | 1,482,038,690 | 1,341,602,192 |
| Payments for settlements of financial liabilities | (1,718,401,583) | (1,142,628,866) |
| Proceeds from re-purchase of financial liabilities | 1,655,632,187 | 1,034,621,500 |
| Interest received | 3,662,031 | 7,647,180 |
| Interest paid | (2,245,883) | (4,624,602) |
| Dividends and trust distributions received | 5,643,869 | 7,496,432 |
| Dividends paid on short stocks | (6,986,184) | (8,953,934) |
| Other revenue | 65,109 | - |
| Income taxes paid | 972,083 | (550,323) |
| Investment management fees paid | (2,546,090) | (2,966,460) |
| Brokerage expense | (3,854,551) | (3,265,467) |
| Stock loan fees | (1,534,033) | (1,577,460) |
| Payments for other expenses | (1,335,895) | (1,030,973) |
| Net cash inflow from operating activities | <u>4,757,977</u> | <u>11,150,115</u> |
| Net cash inflow from investing activities | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Dividends paid to company's shareholders | (11,054,240) | (10,405,202) |
| Payments for shares bought back | (50,141,884) | (24,851,876) |
| Net cash (outflow) from financing activities | <u>(61,196,124)</u> | <u>(35,257,078)</u> |
| Net (decrease) in cash and cash equivalents | <u>(56,438,147)</u> | <u>(24,106,963)</u> |
| Cash and cash equivalents at the beginning of the year | 249,034,761 | 273,626,097 |
| Effects of exchange rate changes on cash and cash equivalents | (116,451) | (484,373) |
| Cash and cash equivalents at end of year | 1 <u>192,480,163</u> | <u>249,034,761</u> |

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

1 Current assets - Cash and cash equivalents

| | 2020 | At | 2019 |
|-----------------------|--------------------|----|--------------------|
| | \$ | | \$ |
| Current assets | | | |
| Cash at bank | <u>192,480,163</u> | | <u>249,034,761</u> |

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

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

| | 2020 | At | 2019 |
|--|--------------------------|----|---------------------------|
| | \$ | | \$ |
| International listed equity securities | - | | 8,099,225 |
| Australian listed equity securities | 96,445,244 | | 172,179,556 |
| Other unlisted equity securities | - | | 604,608 |
| Total securities | <u>96,445,244</u> | | <u>180,883,389</u> |

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

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

| | 2020 | At | 2019 |
|---|--------------------------|----|---------------------------|
| | \$ | | \$ |
| International listed equity securities sold short | - | | 5,118,605 |
| Australian listed equity securities sold short | 88,332,908 | | 172,650,962 |
| | <u>88,332,908</u> | | <u>177,769,567</u> |

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.