

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	
	2020	2019
Notes	\$	\$
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	-
	<u>19,603,825</u>	<u>1,667,763</u>
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)
	<u>(18,314,828)</u>	<u>(22,233,467)</u>
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

	Notes	2020 \$	At 2019 \$
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	
	2020	2019
Notes	\$	\$
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	4,757,977	11,150,115
Net cash inflow from investing activities	-	-
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	(61,196,124)	(35,257,078)
Net (decrease) in cash and cash equivalents	(56,438,147)	(24,106,963)
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	192,480,163	249,034,761

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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.