



25 February 2022

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

RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2021

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

- Appendix 4D for the half-year ended 31 December 2021; and
- Interim Report for the half-year ended 31 December 2021.

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

This announcement has been authorised by the LSF directors.



Appendix 4D

For the half-year ended 31 December 2021

Half-year report

This report is for the half-year from 1 July 2021 to 31 December 2021 (HY FY22). The previous corresponding period was 1 July 2020 to 31 December 2020 (HY FY21).

Results for announcement to the market

	HY FY22 \$'000	HY FY21 \$'000	Up/down	Movement %
Income from ordinary activities	261,379	551,536	Down	(53)
Income before income tax attributable to the ordinary equity holders	175,813	461,324	Down	(62)
Income after income tax attributable to the ordinary equity holders	129,829	325,296	Down	(60)

Dividend information

	Cents per share	Franked amount per share	Tax rate for Franking
2022 Interim dividend declared	4c	4c	30%

Interim dividend dates

Ex-dividend date	14 March 2022
Record date	15 March 2022
Last election date for the DRP	16 March 2022
Payment date	1 April 2022

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 16 March 2022.

Net tangible assets

	31 December 2021 \$	31 December 2020 \$
Net tangible asset backing (per share) before tax	2.9675	2.3849
Net tangible asset backing (per share) after tax	2.7735	2.2963



Appendix 4D

Continued

Brief explanation of results

For the period from 1 July 2021 to 31 December 2021, the Company recorded a profit before tax of \$175.81 million and a net profit after tax of \$129.83 million.

The net tangible asset (NTA) backing per share based on a market valuation of investments before the provision for deferred tax on unrealised gains and losses on investment portfolio was \$2.9675 as at 31 December 2021, an increase of 24.4% compared with \$2.3849 as at 31 December 2020. The NTA post-tax of \$2.7735 is calculated after all taxes.

Market conditions in the first half of this financial year continued to be volatile, impacted by rising inflationary pressures, risks around the potential default of Evergrande (one of China's largest property developers), comments from the U.S. Federal Reserve on the tapering of bond purchases and the emergence of the Delta and Omicron variants of the COVID-19 virus.

Despite this challenging macroeconomic backdrop, the Investment Manager's quality of research and bottom-up stock selection continued to drive strong portfolio performance. Key stock contributors to performance were spread across a diverse range of industries and were both domestic and overseas. Many of these were the top performing stocks in their respective sectors. The short book also generated strong performance underpinned by careful stock picking and exiting several short positions near the market lows. The portfolio also benefitted from positioning in energy, gold and commodities which have outperformed in a higher inflation environment, as well as increased M&A activity given the portfolio's skew to undervalued companies that have strategic appeal.

Looking forward, the Investment Manager expects market volatility to remain elevated as investors react to headlines and new COVID-19 related developments, as well as Central Bank actions.

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 2021 Annual Financial Report.



L1 CAPITAL

Interim Financial Report

For the half-year ended 31 December 2021

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 2021 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

Mertons Corporate Services
Level 7, 330 Collins Street
Melbourne VIC 3000
Phone: (03) 8689 9997

Investment manager

L1 Capital Pty Limited
Level 28, 101 Collins Street
Melbourne VIC 3000
Phone: (03) 9286 7000

Administrator

Mainstream 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
200 George Street
Sydney NSW 2000
Phone: (02) 9248 5555

Securities exchange listing

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

Website

www.L1LongShort.com

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 2021.

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 25 August 2021, the Directors declared a fully franked interim dividend of 3 cents per share with record date of 14 September 2021 and paid to the shareholders on 1 October 2021.

On 25 February 2022, the Directors declared a fully franked interim dividend of 4 cents per share with record date of 15 March 2022 and payable to the shareholders on 1 April 2022.

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 16 March 2022.

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 12 January 2022, the Directors resolved to approve the transfer of any resulting net profit after tax for the half-year ended 31 December 2021 to the dividend profit reserve as at 31 December 2021. Accordingly, the transfer of \$129,829,000 was made to the reserve.

The balance of the dividend profit reserve as of 31 December 2021 is \$616,607,000.



Directors' Report

Continued

Review of operations

The operating profit before tax was \$175,813,000 for the half-year ended 31 December 2021 (31 December 2020: \$461,324,000). The net result after tax was a profit of \$129,829,000 (31 December 2020: \$325,296,000).

The net tangible asset backing before tax as at 31 December 2021 was \$2.9675 per share (31 December 2020: \$2.3849).

The Company's performance exceeded its high watermark as of the performance calculation period ended 31 December 2021 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. No shares were bought back over the period 1 July 2021 up to 31 December 2021 (31 December 2020: 50,500,000 shares (7.60%)). 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 2021.

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 25 February 2022, the Company reported NTA at 22 February 2022 as follows:

	22 February 2022 (A) \$	31 December 2021 (B) \$
Net tangible asset backing (per share) before tax ^(c)	3.1822	2.9675
Net tangible asset backing (per share) after tax ^(c)	2.9460	2.7735

(A) ASX announcements are approximates and not reviewed by Ernst & Young.

(B) NTA reviewed by Ernst & Young.

(C) 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.

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
25 February 2022

Auditor's Independence Declaration



Building a better
working world

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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 interim financial report of L1 Long Short Fund Limited for the half-year ended 31 December 2021, 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

Ernst & Young



Rohit Khanna
Partner
25 February 2022



Statement of Comprehensive Income

For the half-year ended 31 December 2021

	Notes	Half-year ended	
		31 December 2021 \$'000	31 December 2020 \$'000
Investment income			
Net gains on financial instruments at fair value through profit or loss		255,108	485,163
Dividend income		32,947	15,281
Trust distributions		547	3
Interest income from financial assets at amortised cost		114	121
Net foreign exchange (losses /gains)		(27,792)	50,675
Expense reimbursement from Investment Manager		455	293
Total investment income		261,379	551,536
Expenses			
Management fees	6	(13,440)	(8,820)
Performance fees	6	(44,816)	(61,059)
Brokerage expense		(7,211)	(6,552)
Dividend expense		(11,429)	(7,242)
Interest expense		(5,292)	(3,466)
Stock loan fees		(1,321)	(1,587)
Administration fees		(127)	(110)
Share registry fees		(130)	(75)
Secretarial fees		(34)	(36)
Legal fees		(30)	(35)
Withholding tax on foreign dividends		(1,019)	(553)
Directors' fees		(182)	(152)
ASX fees		(153)	(71)
Audit fees		(44)	(96)
Other expenses		(338)	(358)
Total operating expenses		(85,566)	(90,212)
Profit for the half-year before income tax		175,813	461,324
Income tax expense		(45,984)	(136,028)
Profit for the half-year after tax		129,829	325,296
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		129,829	325,296

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	21.35	51.51
Diluted earnings per share	21.35	51.51

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

Statement of Financial Position

As at 31 December 2021

	Notes	As at	
		31 December 2021 \$'000	30 June 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		398,669	483,995
Other receivables		3,235	44,208
Receivable from Investment Manager		70	49
Financial assets at fair value through profit or loss	3	3,659,729	3,032,182
Other current assets		96	430
Total current assets		4,061,799	3,560,864
Total assets		4,061,799	3,560,864
LIABILITIES			
Current liabilities			
Broker advances		1,393,689	1,214,811
Other payables		74,318	119,684
Income tax payable		57,466	10,254
Financial liabilities at fair value through profit or loss	3	725,426	524,424
Total current liabilities		2,250,899	1,869,173
Non-current liabilities			
Deferred tax liabilities	7	117,238	117,380
Total non-current liabilities		117,238	117,380
Total liabilities		2,368,137	1,986,553
Net assets		1,693,662	1,574,311
EQUITY			
Issued capital	8	1,223,546	1,215,825
Dividend profit reserve	10	616,607	504,977
Accumulated losses		(146,491)	(146,491)
Total equity		1,693,662	1,574,311

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 2021

	Notes	Issued capital \$'000	Dividend profit reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000
Balance as at 1 July 2020		1,287,021	-	(146,491)	1,140,530
Profit for the half-year after tax		-	-	325,296	325,296
Other comprehensive income for the half-year, after tax		-	-	-	-
Total comprehensive income for the half-year		-	-	325,296	325,296
Transactions with owners in their capacity as owners:					
Share buyback		(53,305)	-	-	(53,305)
Transfer to dividend profit reserve account		-	325,296	(325,296)	-
Balance as at 31 December 2020		1,233,716	325,296	(146,491)	1,412,521
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	8	(1,086)	-	-	(1,086)
Performance fee reinvestment	8	5,279	-	-	5,279
Dividend reinvestment	8	3,528	-	-	3,528
Dividend paid	10	-	(18,199)	-	(18,199)
Transfer to dividend profit reserve account	10	-	129,829	(129,826)	-
Balance as at 31 December 2021		1,223,546	616,607	(146,491)	1,693,662

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 2021

	Half-year ended	
	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities		
Purchase of financial instruments at fair value through profit or loss	(2,617,826)	(1,778,173)
Proceeds from sale of financial instruments at fair value through profit or loss	2,461,831	1,051,423
Dividends received	34,303	18,109
Trust distributions received	547	3
Interest income received from financial assets measured at amortised cost	92	82
Expense reimbursement received	434	264
Brokerage expenses paid	(7,211)	(6,552)
Dividends paid on short positions	(11,237)	(8,210)
Stock loan fees paid	(1,345)	(1,577)
ASX fees paid	(153)	(71)
Net GST received/(paid)	(97)	25
Interest paid	(4,903)	(3,440)
Other expenses paid	(76,177)	(8,605)
Net cash outflow from operating activities	(221,742)	(736,722)
Cash flows from financing activities		
Share buyback	-	(53,305)
Dividend paid	(14,671)	-
Broker advances received	178,879	440,458
Net cash inflow from financing activities	164,208	387,153
Net decrease in cash and cash equivalents	(57,534)	(349,569)
Cash and cash equivalents at the beginning of the half-year	483,995	559,312
Effects of exchange rate changes on cash and cash equivalents	(27,792)	50,675
Cash and cash equivalents at the end of the half-year	398,669	260,418

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 2021

1. General information

L1 Long Short Fund Limited (the “Company”) is a listed public company domiciled in Australia. The Company’s registered address is 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 2021 to 31 December 2021. The previous corresponding period was 1 July 2020 to 31 December 2020.

The interim financial statements were authorised for issue by the Board of Directors on 25 February 2022.

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 2021 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 2021 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 2021.

(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 2021 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 2022 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 table presents the Company's financial assets and liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021.

At 31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Options	-	17,067	-	17,067
Australian listed equity securities	2,340,630	-	-	2,340,630
International listed equity securities	1,302,032	-	-	1,302,032
Total financial assets at fair value through profit or loss	3,642,662	17,067	-	3,659,729
Financial liabilities at fair value through profit or loss				
Swaps	-	344	-	344
Australian listed equity securities	583,138	-	-	583,138
International listed equity securities	130,642	-	-	130,642
Australian share price index futures	11,302	-	-	11,302
Total financial liabilities at fair value through profit or loss	725,082	344	-	725,426



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 2021	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	7,074	-	-	7,074
Australian listed equity securities	1,918,482	-	-	1,918,482
International listed equity securities	1,043,479	-	-	1,043,479
International unlisted equity securities	-	-	63,147	63,147
Total financial assets at fair value through profit or loss	2,969,035	-	63,147	3,032,182
Financial liabilities at fair value through profit or loss				
Swaps	-	3,313	-	3,313
Australian share price index futures	-	-	-	-
Australian listed equity securities	402,504	-	-	402,504
International listed equity securities	118,607	-	-	118,607
Total financial liabilities at fair value through profit or loss	521,111	3,313	-	524,424

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 was a transfer from Level 3 to Level 1 during the reporting period ended 31 December 2021 due to the listing of one of the international unlisted equity securities in the US stock exchange.

Other than the above, there were no transfers between levels in the fair value hierarchy for the half-year.



Notes to the Financial Statements

Continued

3. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(iv) Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the half-year:

	Australian listed equity securities \$'000	International unlisted equity securities \$'000	Total \$'000
Balance as at 1 July 2021	–	63,147	63,147
Transfers into Level 1	–	(63,147)	(63,147)
Balance as at 31 December 2021	–	–	–
Balance as at 1 July 2020	(4,262)	–	(4,262)
Transfers into Level 3	–	–	–
Purchases	–	49,051	49,051
Sales	1,291	–	1,291
Fair value gain	2,971	14,096	17,067
Balance as at 30 June 2021	–	63,147	63,147

(v) 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 \$118,337,000 at 31 December 2021 (30 June 2021: \$119,565,000) and deferred tax assets relating to capitalised share issue costs and other temporary differences of \$1,099,000 at 31 December 2021 (30 June 2021: \$2,185,000). 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 2021 amounted to \$13,440,000 (31 December 2020: \$8,820,000) of which \$2,254,000 (31 December 2020: \$1,857,000) 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. 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.

Performance fees (inclusive of the net impact of GST and RITC) incurred during the period ended 31 December 2021 amounted to \$44,816,000 (31 December 2020: \$61,059,000) of which \$44,816,000 (31 December 2020: \$61,059,000) 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 2021 \$'000	30 June 2021 \$'000
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Capitalised share issue costs	1,086	2,171
Other temporary differences	13	14
Deferred tax assets	1,099	2,185
Deferred tax liabilities		
Net unrealised gains on investments	118,268	118,159
Other temporary differences	69	1,406
Deferred tax liabilities	118,337	119,565
Deferred tax assets/(liabilities), net	(117,238)	(117,380)

	As at	
	31 December 2021 \$'000	30 June 2021 \$'000
Movements:		
Deferred tax assets		
Opening balance	2,185	92,722
Credited:		
Directly to equity	(1,086)	(2,172)
Directly to profit or loss	–	(88,365)
Closing balance, Deferred tax assets	1,099	2,185
Deferred tax liabilities		
Opening balance	119,565	9,639
Charged:		
Directly to profit or loss	(1,228)	109,926
Closing balance, Deferred tax liabilities	118,337	119,565
Closing balance, Deferred tax assets/(liabilities), net	(117,238)	(117,380)



Notes to the Financial Statements

Continued

8. Issued capital

(a) Share capital

	31 December 2021 Shares '000	30 June 2021 Shares '000	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares	609,824	606,619	1,249,973	1,241,165

(b) Movements in issued capital

	Number of Shares '000	\$'000
Opening balance – 30 June 2021	606,619	1,215,825
Dividend reinvestment	1,336	3,528
Performance fee reinvestment	1,869	5,279
Capital raising costs – tax effect	–	(1,086)
Closing balance – 31 December 2021	609,824	1,223,546

	Number of Shares '000	\$'000
Opening balance – 30 June 2020	649,064	1,287,021
Share buyback	(43,060)	(72,518)
Dividend reinvestment	615	1,322
Closing balance – 30 June 2021	606,619	1,215,825

(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.

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.

On 24 April 2018, the Company issued 664,839,144 fully paid ordinary shares under this initial public offering at \$2.00 per share.

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. No shares were bought back over the period 1 July 2021 to 31 December 2021 (31 December 2020: 50,500,000 shares (7.60%)).

On 22 October 2021, the Company issued 1,868,591 fully paid ordinary shares at \$2.8255 in relation to the reinvestment of performance fee.



Notes to the Financial Statements

Continued

9. Dividends

(a) Dividend rate

On 25 August 2021, the Directors declared a fully franked interim dividend of 3 cents per share with record date of 14 September 2021 and paid to the shareholders on 1 October 2021.

On 25 February 2022, the Directors declared a fully franked interim dividend of 4 cents per share with record date of 15 March 2022 and payable to the shareholders on 1 April 2022.

(b) Dividend franking account

	As at	
	31 December 2021 \$'000	30 June 2021 \$'000
The amount of franking credits for subsequent reporting period is:		
- Franking account balance as at the end of the reporting period at tax rate of 30% (2020: 30%)	14,022	14,991
- Franking credits that will arise from franked dividends receivable as at the end of the reporting period	-	306
- Franking credits that will arise from the payment of income tax payable as at the end of the reporting period	57,467	10,254
	71,489	25,551
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% (2020: 30%)	(10,454)	(7,799)
	61,035	17,752

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 2021 \$'000	30 June 2021 \$'000
Movement in Dividend Profit Reserve		
Balance at the beginning of the period	504,977	-
Transferred from current period profits	129,829	514,192
Payment of dividend	(18,199)	(9,215)
Closing balance at the end of the period	616,607	504,977

On 12 January 2022, the Directors resolved to approve the transfer of any resulting net profit after tax for the half-year ended 31 December 2021 to the dividend profit reserve as at 31 December 2021. Accordingly, the transfer of \$129,829,000 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 2021 (30 June 2021: nil).

12. Events occurring after the reporting period

On 25 February 2022, the Directors declared a fully franked interim dividend of 4 cents per share with record date of 15 March 2022 and payable to the shareholders on 1 April 2022.

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 16 March 2022.

There are no other matters or circumstances that have occurred since the end of the half-year that have 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 2021

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 20 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 2021 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
25 February 2022

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

For the half-year ended 31 December 2021



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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 2021, 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 2021 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 2021 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

Ernst & Young



Rohit Khanna
Partner
Sydney
25 February 2022

www.L1LongShort.com