

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
Appendix 4E Preliminary Final Report
For the year ended 30 June 2021

Details of Reporting Period

Current: Year ended 30 June 2021

Previous: Year ended 30 June 2020

Results announcement to the market

| | \$ | movement | % movement |
|--|--------|----------|------------|
| Revenue from ordinary activities | 18,616 | up | 269% |
| Profit from ordinary activities before tax attributable to members | 14,163 | up | 338% |
| Profit from ordinary activities after tax attributable to members | 9,977 | up | 291% |

Dividends

In accordance with previously announced dividend policy, the directors intend to declare a fully franked dividend of 4.5 cents per share. The record date and on payment date are expected to be in October/November 2021. The precise dates are dependent on the establishment of the EMTF, as per the previous ASX announcement. FPC expects to announce the record date and payment date shortly.

Net tangible assets

| | 30 June 2021 | 30 June 2020 |
|--|--------------|--------------|
| Net Tangible Assets (per share) backing before tax | 1.4449 | 1.1312 |
| Net Tangible Assets (per share) backing after tax | 1.3460 | 1.1261 |

Dividend Reinvestment Plan (DRP)

The Company's Dividend Reinvestment Plan is expected to be applicable to the dividend payable in October/November 2021.

Financial Reports

This report is based on the financial reports of the company. All the documents comprise the information required by listing rule 4.3A. The audited accounts are scheduled to be released by the end of September 2021.

Annual General Meeting (AGM)

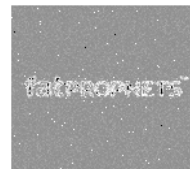
An announcement on the date of AGM will be made by the end of September 2021

Signed on behalf of Fat Prophets Global Contrarian Fund Ltd



Michael Gallagher
Chairman

Sydney, NSW
31 August 2021



FAT PROPHETS GLOBAL CONTRARIAN FUND LTD

ACN 615 414 849

Financial Report

For the Year Ended 30 June 2021

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FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
FINANCIAL REPORT

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**FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
CORPORATE DIRECTORY**

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| | |
|---------------------------------|---|
| Directors: | Michael Gallagher Katrina Vanstone Angus Geddes |
| Company Secretary: | Brett Crowley |
| Investment Manager: | Fat Prophets Funds Management Pty Limited |
| Auditor: | PKF(NS) Audit & Assurance Limited Partnership Level 8, 1 O'Connell Street SYDNEY NSW 2000 |
| Country of Incorporation: | Australia |
| Registered Office: | Level 3 22 Market Street SYDNEY NSW 2000 |
| Share Registry: | Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street ABBOTSFORD VIC 3067 |
| ASX Code : | FPC |
| ACN: | 615 414 849 |
| Website: | www.fpcontrarian.com.au |
| Corporate Governance Statement: | http://fpcontrarian.com.au/wp-content/uploads/2017/08/Corporate-Governance-Statement.pdf |

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report on Fat Prophets Global Contrarian Fund Limited ("the Company") for the year ended 30 June 2021.

Directors' Experience and Other Directorships

The following persons were directors of the Company during the whole of the financial year and up to the date of this report (unless otherwise stated):

Michael Gallagher (appointed 19 October 2016)

Chairman and Non-executive director
Director - Alternative Investment Management Association
Director - Spinnaker Investment Management

Michael Gallagher is the Non-Executive Chair of the ASX listed Fat Prophets Global Contrarian Fund, having held this position since FPC listed. Michael is also the Director of The Australian branch of the Alternative Investment management association (AIMA) having been appointed in 2014. He is a director of the Alternative Future Foundation a key industry charity supporting many charitable causes for 19 years. Michael also Chairs Australian Students Asset management, a university student funds management programme designed to align students and industry. Prior to AIMA, Michael was CEO and Co-Founder of Kima Capital in Australia and Hong Kong. He has also held positions as Australasian Head of Equities for Rand Merchant Bank and was a Divisional Director in Equity Derivatives at Macquarie Bank in Australia, South Africa and the UK. Michael holds a BComm in Econometrics and Finance from UNSW.

Katrina Vanstone (appointed 19 October 2016)

Non-executive director

Katrina has worked in financial markets for over 30 years, both in Australia and offshore, including such leading organisations as HSBC and Deutsche Bank. Katrina has extensive experience in foreign exchange, interest rates and credit markets across asset and liability portfolios. She has held roles in trading, sales and syndication. She has extensive experience in the wholesale debt and derivative markets with strong product knowledge across capital structures and debt raisings, risk management and hedging, and cash and currency management. Katrina has a Bachelor of Economics and an Advanced Diploma in Financial Planning. Katrina is a member of the Financial Planning Association of Australia Ltd and is registered as a Tax (financial) adviser with the Tax Practitioners Board of Australia. Katrina is a serving Director on the Board of the Eastern Suburbs District Rugby Union Football Club.

Angus Geddes (appointed 19 October 2016)

Executive director

Angus is the Chief Investment Officer at Fat Prophets, the portfolio manager of the Fat Prophets Global Contrarian Fund, with primary responsibility for the investment decisions and of the Company. Angus founded Fat Prophets, an independent advisory and funds management business more than 20 years ago. He oversees the investment management activities of the firm, as well as overseeing the publication of the Fat Prophets daily investment blog. During his career, Angus has worked as a money market dealer in New Zealand, and a financial consultant in the United Kingdom and the United States. Moving to Australia in 1996. Angus worked for five years as a stockbroker at Bankers Trust and JB Were before co-founding Fat Prophets in June 2000.

Attendance at Meetings

Board of Directors Meetings

| Director | Meetings Held and Entitled to Attend | Meetings Attended |
|-------------------|--------------------------------------|-------------------|
| Michael Gallagher | 5 | 5 |
| Katrina Vanstone | 5 | 5 |
| Angus Geddes | 5 | 5 |

Audit Committee Meetings

| Director | Meetings Held and Entitled to Attend | Meetings Attended |
|-------------------|--------------------------------------|-------------------|
| Michael Gallagher | 2 | 2 |
| Katrina Vanstone | 2 | 2 |

Directors' Interests in Shares and Options

The relevant interests of the directors and their related entities in the securities of the Company as at 30 June 2021 were:

| Directors and officers | Number of Shares | Number of Options |
|---|------------------|-------------------|
| Michael Gallagher | 50,000 | - |
| Katrina Vanstone | 23,000 | - |
| Angus Geddes | 281,918 | - |
| Fat Prophets Pty Ltd (controlled by Angus Geddes) | 2,020,250 | - |
| Brett Crowley | 75,270 | - |

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Principal Activities of the Company

The Company's principal activity is to invest predominantly in a concentrated portfolio of listed securities from global equity markets, with the objective of providing long-term capital growth.

Review of Operations

The performance of the Company, as represented by the results of its operations, was as follows:

| | Year ended 30 June 2021 | Year ended 30 June 2020 |
|---|----------------------------|----------------------------|
| | \$'000 | \$'000 |
| Profit/(loss) before income tax | 14,163 | 3,230 |
| Income tax (expense)/benefit | (4,186) | (679) |
| Profit/(loss) for the year attributable to shareholders | <u>9,977</u> | <u>2,551</u> |

Please refer to the Statement of Profit or Loss and Other Comprehensive Income for further details.

The invested position of the Company as at 30 June 2021 is held as to 104% (2020: 131%) in equity securities and 4% (2020: -30%) in cash and cash equivalents and interest bearing liabilities. The invested position is recognised on the balance sheet in cash and cash equivalents, financial assets held at fair value through profit or loss, and interest bearing liabilities.

Note the Company has not incurred any Covid-19 adverse impacts. The Company has continued normal operations throughout this period and does not forecast any disruptions at this time.

Dividends

An interim fully franked dividend of 3.00 cents per share was paid in June 2021. In accordance with previously announced dividend policy, the directors intend to declare a fully franked dividend of 4.5 cents per share. The record date and on payment date are expected to be in October/November 2021. The precise dates are dependent on the establishment of the EMTF, as per the previous ASX announcement.

Net Assets

As at 30 June 2021 the net assets of the Company were \$58,013,00 (2020: \$47,005,000). Please refer to the Statement of Financial Position for further details.

State of Affairs

During the financial year there were no significant changes in the state of affairs of the Company.

Events Subsequent to Balance Date

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

Indemnification of Officers

The Company has indemnified directors and officers for any actions that may arise as a result of acting in their capacity as directors and officers of the Company in respect of:

- a) Liability to third parties when acting in good faith; and
- b) Costs and expenses of defending legal proceedings and ancillary matters.

The terms of the policy preclude disclosure of the premium.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations.

Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2021, under the requirements of Section 300A(1) of the *Corporations Act 2001*.

Key management personnel

The directors and other key management personnel of the Company during the whole of the financial year, and up to the date of this report are (unless otherwise indicated):

| | |
|-------------------|---------------------------------------|
| Michael Gallagher | Chairman |
| Katrina Vanstone | Director |
| Angus Geddes | Director and Chief Investment Officer |
| Simon Wheatey | Investment Portfolio Manager |
| Robert Dardano | Chief Financial Officer |

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Remuneration Report (continued)

Directors' Remuneration

The Company has a Nomination and Corporate Governance Committee which reviews and advises the Board on the composition of the Board and its committees.

Directors' base fees are set out in the Constitution at a maximum of \$125,000 combined per annum.

Directors' remuneration received or receivable for the year ended 30 June 2021 was:

| Director | Directors' fees \$ | Superannuation \$ | Total \$ |
|-------------------|-----------------------|----------------------|---------------|
| Michael Gallagher | 44,000 | - | 44,000 |
| Katrina Vanstone | 33,000 | - | 33,000 |
| Angus Geddes | - | - | - |
| | 77,000 | - | 77,000 |

Directors' remuneration received or receivable for the period ended 30 June 2020 was:

| Director | Directors' fees \$ | Superannuation \$ | Total \$ |
|-------------------|-----------------------|----------------------|---------------|
| Michael Gallagher | 44,000 | - | 44,000 |
| Katrina Vanstone | 33,000 | - | 33,000 |
| Angus Geddes | - | - | - |
| | 77,000 | - | 77,000 |

Proceedings on behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Non-Audit Services

Details of amount paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 9(b) to the financial statements. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Rounding of amounts

Amounts in the Directors' report have been rounded to the nearest thousand, or in certain cases to the nearest dollar in accordance with *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Signed at Sydney this 31st day of August 2021, in accordance with a resolution of the Board of Directors by:



Chairman

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Year ended 30 June 2021 \$'000 | Year ended 30 June 2020 \$'000 |
|---|-------|--------------------------------------|--------------------------------------|
| Investment income | | | |
| Interest | | - | 29 |
| Dividends | | 728 | 1,142 |
| Gains on investments held at fair value through profit or loss | | 15,680 | 5,427 |
| Losses on foreign exchange | | 2,206 | (1,555) |
| Other income | | 2 | - |
| Total revenue | | 18,616 | 5,043 |
| Expenses | | | |
| Management fees | 9 (a) | 724 | 608 |
| Performance fees | 9(a) | 2,594 | - |
| Interest expense | | 316 | 509 |
| Directors' fees | | 78 | 78 |
| ASX fees | | 83 | 41 |
| Insurance | | 52 | 22 |
| Audit fees | 9 (b) | 24 | 27 |
| Transaction costs | 12 | 356 | 384 |
| Legal and tax advice | | 24 | 24 |
| Share registry fees | | 70 | 29 |
| Other operating expenses | | 132 | 91 |
| Total expenses | | 4,453 | 1,813 |
| Profit/(loss) before income tax | | 14,163 | 3,230 |
| Income tax (expense)/benefit | 7 (a) | (4,186) | (679) |
| Profit/(loss) after income tax | | 9,977 | 2,551 |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) attributable to shareholders | | 9,977 | 2,551 |
| Basic earnings/(loss) per share (cents) | 10 | 24.56 | 5.97 |
| Diluted earnings/(loss) per share (cents) | 10 | 24.56 | 5.97 |

This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Financial Statements which follow.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | Note | As at 30 June 2021 \$'000 | 30 June 2020 \$'000 |
|--|-------|---------------------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | 4 | 47,256 | 18,838 |
| Receivables | 5 | 58 | 75 |
| Financial assets held at fair value through profit or loss | 2(e) | 61,639 | 62,796 |
| Deferred tax assets | 7(c) | 306 | 1,606 |
| TOTAL ASSETS | | 109,259 | 83,315 |
| Liabilities | | | |
| Payables | 6 | 444 | 128 |
| Interest bearing liabilities | 4 | 46,200 | 34,446 |
| Current tax liability | | 1,785 | - |
| Deferred tax liabilities | 7 (c) | 2,817 | 1,736 |
| TOTAL LIABILITIES | | 51,246 | 36,310 |
| NET ASSETS | | 58,013 | 47,005 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 8 | 48,232 | 45,934 |
| Retained profits/(losses) | | 9,761 | 1,071 |
| Profits reserve | | 20 | - |
| TOTAL SHAREHOLDERS' EQUITY | | 58,013 | 47,005 |

*This Statement of Financial Position should be read in conjunction with
the notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Share Capital \$'000 | Retained Profits/ (Losses) \$'000 | Profits Reserve \$'000 | Total Equity \$'000 |
|--|------|-------------------------|---|------------------------------|------------------------|
| Balance at 30 June 2019 | | 47,760 | (423) | - | 47,337 |
| Total comprehensive loss for the year | | - | 2,551 | - | 2,551 |
| Subtotal | | - | 2,551 | - | 2,551 |
| Transactions with owners in their capacity as owners | | | | | |
| Distributions paid | | - | (1,057) | - | (1,057) |
| Shares acquired under buy-back | 8 | (1,826) | - | - | (1,826) |
| Subtotal | | (1,826) | (1,057) | - | (2,883) |
| Transfer to profit reserve | | - | - | - | - |
| | | - | - | - | - |
| Balance at 30 June 2020 | | 45,934 | 1,071 | - | 47,005 |
| Total comprehensive profit for the year | | - | 9,977 | - | 9,977 |
| Subtotal | | - | 9,977 | - | 9,977 |
| Transactions with owners in their capacity as owners | | | | | |
| Ordinary shares issued under Share Purchase Plan (SPP) | 8 | 5,550 | - | - | 5,550 |
| Distributions paid | | - | (1,287) | - | (1,287) |
| Shares acquired under buy-back | 8 | (3,252) | - | - | (3,252) |
| Subtotal | | 2,298 | (1,287) | - | 1,011 |
| Transfer to profit reserve | | - | - | - | - |
| Change in tax effect of listing costs due to tax rate change from 27.5% to 30% | | - | - | 20 | 20 |
| | | - | - | 20 | 20 |
| Balance at 30 June 2021 | | 48,232 | 9,761 | 20 | 58,013 |

*This Statement of Changes in Equity should be read in conjunction with
the notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Year ended 30 June 2021 \$'000 | Year ended 30 June 2020 \$'000 |
|---|------|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Purchase of investments | | (130,493) | (106,272) |
| Proceeds from sale of investments | | 147,330 | 105,778 |
| Dividends received | | 752 | 1,107 |
| Interest received | | - | 45 |
| Realised FX gains/losses | | 3,155 | (3,321) |
| Management fees paid | | (635) | (609) |
| Performance fees paid | | (2,438) | - |
| Interest paid | | (293) | (537) |
| Other income received | | 2 | - |
| Income tax received | | (1) | 1 |
| Other operating expenses | | (777) | (707) |
| Net cash inflow/(outflow) from operating activities | 11 | 16,602 | (4,515) |
| Cash flows from financing activities | | | |
| Payment for shares buy-back including transaction costs | | (3,252) | (1,826) |
| Distributions paid | | (1,287) | (1,057) |
| Proceeds from share issue | | 5,550 | - |
| Net cash inflow/(outflow) from financing activities | | 1,011 | (2,883) |
| Effects of exchange rate changes on cash and cash equivalents | | (949) | 1,767 |
| Net increase/(decrease) in cash and cash equivalents | | 16,664 | (5,631) |
| Cash and cash equivalents at the beginning of the financial year | | (15,608) | (9,977) |
| Cash and cash equivalents at the end of the financial year | 4 | 1,056 | (15,608) |

*This Statement of Cash Flows should be read in conjunction with
the notes to the Financial Statements which follow.*

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. General information and summary of significant accounting policies

Fat Prophets Global Contrarian Fund Limited ("the Company") is a listed investment company incorporated in Australia. The Company was incorporated on 19 October 2016. The registered office and principal place of business of the Company is Level 3, 22 Market Street, Sydney NSW 2000.

These general purpose financial statements are for the year ended 30 June 2021, and were authorised for issue by the directors on 31 August 2021.

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Replacement Prospectus dated 16 January 2017. The Manager is Fat Prophets Funds Management Pty Ltd, ACN 615 545 537, an Authorised Representative of Fat Prophets Pty Ltd (AFSL 229183).

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements is set out as below:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. For the purposes of preparing financial statements, the Company is a for-profit entity.

The financial report has been prepared on a going concern basis in accordance with the historical cost convention except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities.

The Company manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

(b) Financial instruments

(i) Classification

The Company's investments are classified at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets held by the Company and the financial liabilities arising from the units must be fair valued.

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

(ii) Recognition and derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets and financial liabilities from this date. Other financial assets and liabilities are recognised on the date they originated.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of profit or loss and other comprehensive income in the period in which they arise.

- Receivables

Loans and receivables are measured initially at fair value plus transaction costs and are subsequently amortised if meet the SPPI and business model test, using the effective interest rate method, less impairment losses, if any. Such assets are reviewed at each reporting date to determine whether there is any indication of impairment.

At each reporting date, the Company shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses.

- Other financial assets and liabilities

Management considers that the carrying amount of cash and cash equivalents, other receivables and amounts due from brokers approximate fair value.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. General information and summary of significant accounting policies (continued)

(c) Investments

(iii) Measurement (continued)

Fair value in an active market

The Company values listed investments at last quoted sale price. However, at balance date it assesses the difference between that price and the last bid/(ask) price for each long/(short) quoted investment, to determine whether another price within the bid/(ask) price spread is more representative of fair value.

Fair value in an inactive or unquoted market

The fair value of investments that are not traded in an active market are 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 techniques that provide a reliable estimate of prices obtained in actual market transactions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

(ii) Transactions and balances

Transactions during the period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

Hedging may be undertaken in order to minimise possible adverse financial effects of movements in exchange rates. Hedging gains or losses are included as part of gains/(losses) on foreign exchange.

(e) Revenue/income recognition

Interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised through profit or loss as they accrue, as per the effective interest rate method of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if applicable.

Dividend income relating to exchange traded equity is to be recognised through profit or loss on the ex-dividend date with any related foreign withholding tax recognised as an expense.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis through profit or loss on the day distributions are announced.

(f) Expenses

All expenses, including performance fees and investment management fees, are recognised through profit or loss on an accruals basis.

(g) Dividend policy

The Company may pay dividends to Shareholders from earnings generated from its operating activities to the extent permitted by law and in accordance with prudent business practices. Such dividends will be franked to the extent that available imputation credits permit.

(h) Income tax

Under current legislation, the Company is subject to income tax at 30% on taxable income. A capital gains tax concession may be available to investors where certain requirements are met.

The Company may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the corporate tax rate. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

FAT PROPHETS GLOBAL CONTRARIAN FUND LTD
ACN 615 414 849
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. General information and summary of significant accounting policies (continued)

(i) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability in the Statement of Financial Position.

(k) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

(l) Payables

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

(n) Amounts due/to from brokers

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

(o) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(p) Share option reserve

The share option reserve includes the amount received on issue of options, net of option issue costs. This reserve is adjusted, with a corresponding entry to share capital, on exercise of options. At the expiration of the option period, the portion of the reserve relating to unexercised options is transferred to share capital.

(q) Earnings per share

Undiluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding for the period from the date of listing to balance date.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the year.

(r) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. General information and summary of significant accounting policies (continued)

(s) New and amended standards adopted by the Company

There were no new standards, interpretations or amendments to existing accounting standards that are mandatory for the reporting period ending 30 June 2021 that are material to the financial statements.

(t) 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 July 2021, 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.

(u) Rounding of amounts to the nearest thousand dollars

The Company is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollar, unless otherwise indicated.

2. Financial risk management

(a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a leveraged portfolio made up of a concentrated number of positions across a range of asset classes using the most appropriate investment instrument. The Company should not be seen as a predictable, low risk investment. The Company's investments will be concentrated across a small number of positions, the value of which will fluctuate on a daily basis and the Company is therefore considered to have a higher risk profile than cash assets.

The Company's activities are exposed to different types of financial risks. These risks include market risk (including currency risk, and price risk) and credit risk. The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks. The use of derivatives is an essential part of proper portfolio management and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset of the Company against a fluctuation in market values or foreign exchange rates or to reduce volatility;
- as a substitute for physical securities;
- adjusting asset exposures within the parameters set in the investment strategy;
- adjusting the duration or the weighted average maturity of fixed interest portfolios.

The use of short selling and derivatives may indirectly leverage the Portfolio on a gross basis.

(b) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate. These fluctuations can be caused by market volatility, interest rates, economic cycles, political events and levels of economic growth, both global and domestic. The Company is materially exposed to two different types of market risks, namely foreign currency risk and price risk. Market risk exposures are assessed and minimised through employing established investment strategies.

The Company has a focused portfolio and, due to the concentrated nature of the Company's investments, considerable short term volatility may be experienced. The Company may also short specific securities that, in the opinion of the Investment Manager, are overvalued. All of the portfolio positions are subject to research and peer group review and if appropriate opportunities cannot be found the Company will hold cash until new opportunities arise.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts rarely exceed one period and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

As the nature of these contracts is to hedge the international investment activities of the Company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The currency position of the Company is monitored on an ongoing basis by the Investment Manager.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign currency risk (continued)

The Company's portfolio in different currencies at balance date is summarised below:

| | Australian Dollars A\$'000 | US Dollars A\$'000 | Euros A\$'000 | Japanese Yen A\$'000 | Hong Kong Dollars A\$'000 | Other Currencies A\$'000 | Total A\$'000 |
|--|----------------------------------|--------------------------|------------------|----------------------------|---------------------------------|--------------------------------|------------------|
| 2021 | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 38,163 | - | - | - | - | 9,093 | 47,256 |
| Financial assets at fair value through profit or loss: | | | | | | | |
| Listed securities | 23,114 | 14,658 | - | 9,519 | 9,832 | 3,144 | 60,267 |
| Swaps | - | 191 | - | - | - | - | 191 |
| Receivables | 52 | 6 | - | - | - | - | 58 |
| Deferred tax assets | 306 | - | - | - | - | - | 306 |
| Total assets | 61,635 | 14,855 | - | 9,519 | 9,832 | 12,237 | 108,078 |
| Liabilities | | | | | | | |
| Interest bearing liabilities | - | 26,377 | 31 | 8,745 | 9,873 | 1,174 | 46,200 |
| Payables | 410 | 14 | - | 5 | 6 | 9 | 444 |
| Current tax liability | 1,785 | - | - | - | - | - | 1,785 |
| Deferred tax liabilities | 2,817 | - | - | - | - | - | 2,817 |
| Total liabilities | 5,012 | 26,391 | 31 | 8,750 | 9,879 | 1,183 | 51,246 |
| Net assets | 56,623 | (11,536) | (31) | 769 | (47) | 11,054 | 56,832 |
| 2020 | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 18,809 | - | - | - | - | 29 | 18,838 |
| Financial assets at fair value through profit or loss: | | | | | | | |
| Listed securities | 22,471 | 22,246 | - | 5,064 | 7,893 | 3,825 | 61,499 |
| Swaps | - | 151 | - | - | - | - | 151 |
| Receivables | 14 | 22 | - | - | - | 39 | 75 |
| Deferred tax assets | 1,606 | - | - | - | - | - | 1,606 |
| Total assets | 42,900 | 22,419 | - | 5,064 | 7,893 | 3,893 | 82,169 |
| Liabilities | | | | | | | |
| Interest bearing liabilities | - | 19,205 | 864 | 6,635 | 4,533 | 3,209 | 34,446 |
| Payables | 110 | 10 | - | 3 | 4 | 1 | 128 |
| Current tax liability | - | - | - | - | - | - | - |
| Deferred tax liabilities | 1,736 | - | - | - | - | - | 1,736 |
| Total liabilities | 1,846 | 19,215 | 864 | 6,638 | 4,537 | 3,210 | 36,310 |
| Net assets | 41,054 | 3,204 | (864) | (1,574) | 3,356 | 683 | 45,859 |

Foreign currency sensitivity

A sensitivity of 10 per cent has been selected to account for the current level of exchange rate volatility observed in the market. As at reporting date, the Australian dollar to United States dollar (AUD/USD) exchange rate was 0.75075 (2020: 0.6885) and the Australian dollar to Hong Kong dollar (AUD/HKD) exchange rate was 5.830213 (2020: 5.3362). As the Hong Kong dollar is pegged to the US dollar, any movement in the US dollar is likely to result in a movement of a similar proportion in the Hong Kong dollar. As at reporting date, had the Australian dollar weakened/(strengthened) by 10% against the US dollar with all other variables held constant, assuming that the Hong Kong dollar follows the US dollar, the net assets attributable to shareholders would have been \$10.476.955 higher/(\$12.807.140) lower (2020: \$2.910.459 higher/(\$3.557.940) lower).

(ii) Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate, whether those changes are specifically related to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is primarily exposed to price risk for its investments in listed securities. The price risk of securities is dependent upon the financial circumstances of the companies in which the securities are purchased, including their profits, earnings and cash flows. The return on a security's investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

In cases where financial instruments are denominated in currencies other than the Australian dollar, future prices will also fluctuate because of changes in foreign exchange rates. Refer to Note 2(b)(i) for the management of foreign currency risk. Some securities present a risk of loss of capital and, except where equities are sold short, the maximum exposure resulting from financial instruments is determined by the fair value of those instruments. Potential losses from equities sold short can be unlimited.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Financial risk management (continued)

(b) Market risk (continued)

(ii) Price risk (continued)

The Investment Manager's security selection process is fundamental to the management of price risk. When considering taking a position, whether long or short, the price at which it is established is a critical element within the overall process and includes the use of technical, peer group and market analysis together with adequate diversification to reduce the impact of a negative return on any one position.

The Company's overall market positions are monitored on an ongoing basis by the Investment Manager.

The Company's net equity exposure as at 30 June 2021 is set out below:

| | As at | |
|--------------------------------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| Industry Groups | | |
| Consumer services | 40% | 40% |
| Materials | 13% | 13% |
| Software and services | 1% | 11% |
| Banks | 0% | 0% |
| Energy | 0% | 2% |
| Media | 10% | 10% |
| Consumer Durables | 0% | 0% |
| Diversified Financials | 31% | 14% |
| Real Estate | 2% | 1% |
| Capital Goods | 1% | 2% |
| Communications | 0% | 2% |
| Insurance | 2% | 3% |
| Technology | 0% | 2% |
| Commercial and Professional Services | 0% | 0% |
| Total | 100% | 100% |

Price sensitivity

The directors of the Company believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from period to period often have a wide variance. As such, the Company uses a long term performance average, rather than a short term performance number, when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last period's performance is likely to be misleading when the market cycle shifts.

As at reporting date, if the listed security prices in the portfolio had increased/(decreased) by 1% with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$602,660. (2020: \$614,990). The impact of price movements in currency contracts is unlikely to have a significant impact on the Company.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations (i.e. default in either whole or part) under a contract causing the Company to make a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The Investment Manager minimises the Company's concentrations of credit risk by adopting a number of procedures, including the following:

- Undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- Ensuring that these counterparties together with the respective credit limits are approved.

The contractual credit risk of assets is represented by the net payments or receipts that remain outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The Company does not hold any collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired as at balance date.

The Company has appointed Deutsche Bank as Prime Broker to the Company. Deutsche Bank is subject to regulatory oversight and capital requirements imposed by the Australian Securities and Investments Commission. As at the date of this report, Deutsche Bank has a credit rating of BBB+ (S&P) for long term and a rating of A-2 for short term debt.

The terms of the Prime Broker Agreement provide that the Fat Prophets Global Contrarian Fund utilise custodial assets for its own lending and financing purposes (including to borrow, lend, charge, re-hypothecate, and dispose of) up to, but not exceeding, 180% of the value of the Company's outstanding liabilities with Deutsche Bank. These assets are owned by Deutsche Bank in its Prime Broker capacity. Under the terms of the Prime Broker Agreement, Deutsche Bank is obliged to return to the Company the equivalent custodial assets irrespective of what transpires between it and any third party with whom the Fat Prophets Global Contrarian Fund has transacted.

Cash holdings with Deutsche Bank are not subject to this arrangement and are always considered to be held by Deutsche Bank in its Prime Broker capacity.

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NOTES TO THE FINANCIAL STATEMENTS
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2. Financial risk management (continued)

(c) Credit risk (continued)

As at balance date, the maximum value of the Company's gross assets available to the Fat Prophets Global Contrarian Fund for its lending and financing activities is \$108.90 million. Under the Prime Broker arrangements in place, the amount does not require disclosure by the Fat Prophets Global Contrarian Fund. The maximum net exposure to the Prime Broking activities of Deutsche Bank, after offsetting the Company's outstanding liabilities with \$46.20 million approximates \$62.70 million as at balance date. The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements. Accordingly, the entity is not considered to be exposed to material liquidity risks in relation to its financial instruments.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables which have no contractual maturities but are typically settled within 30 days.

(e) Fair value measurements

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

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

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 or indirectly (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 publicly traded derivatives and listed equity securities) are 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.

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) *Recognised fair value measurements*

The table below presents the Company's financial assets and liabilities measured and recognised at fair value as at 30 June 2021:

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| At 30 June 2021 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed securities | 60,267 | - | - | 60,267 |
| Swaps | - | 191 | - | 191 |
| | 60,267 | 191 | - | 60,458 |
| At 30 June 2020 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed securities | 61,499 | - | - | 61,499 |
| Swaps | - | 151 | - | 151 |
| | 61,499 | 151 | - | 61,650 |

(iii) *Transfer between levels*

Management'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 at the end of the reporting period.

(iv) *Fair value of financial instruments not carried at fair value*

The carrying value of trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

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FOR THE YEAR ENDED 30 JUNE 2021

3. Segment information

Identification of reportable operating segments

The Company is organised into one main operating segment with the key function of the investment of funds internationally. AASB 8: Operating Segments requires disclosure of revenue by investment type and geographical location, which is outlined below:

| | Year ended 30 June 2021 \$'000 | Year ended 30 June 2020 \$'000 |
|---|--------------------------------------|--------------------------------------|
| (a) Investment Income by investment type | | |
| Equity securities - dividends | 728 | 1,142 |
| Total | 728 | 1,142 |
| (b) Investment Income by geographical area | | |
| Oceania | 343 | 630 |
| Europe - Euro | - | - |
| Europe - Other | 11 | 78 |
| Hong Kong | 62 | 187 |
| Asia ex Hong Kong | 213 | 85 |
| North America | 99 | 162 |
| Total | 728 | 1,142 |

4. Cash and cash equivalents and interest bearing liabilities

| | As at 30 June 2021 \$'000 | 30 June 2020 \$'000 |
|---|---------------------------------|------------------------|
| <i>Cash and cash equivalents</i> | | |
| Cash at bank (custodian) - AUD | 38,163 | 18,809 |
| Cash at bank (custodian) - other currencies | 9,093 | 29 |
| | 47,256 | 18,838 |
| <i>Interest bearing liabilities</i> | | |
| Overdraft at custodian | (46,200) | (34,446) |
| | 1,056 | (15,608) |

Overdraft at Custodian is a cash facility offered by the Custodian.

5. Receivables

| | As at 30 June 2021 \$'000 | 30 June 2020 \$'000 |
|----------------------|---------------------------------|------------------------|
| Dividends receivable | 38 | 61 |
| GST receivable | 20 | 14 |
| | 58 | 75 |

6. Payables

| | As at 30 June 2021 \$'000 | 30 June 2020 \$'000 |
|--------------------------|---------------------------------|------------------------|
| Management fees payable | 137 | 48 |
| Performance fees payable | 156 | - |
| Audit fee payable | - | - |
| Recoverable fees payable | 106 | 58 |
| Interest payable | 45 | 22 |
| | 444 | 128 |

7. Income tax

(a) Income tax expense

The aggregate amount of income tax attributable to the financial year differs from the amount of income tax that would be payable by the Company if its taxable income for the year were equal to the amount of the profit before income tax. The difference between these amounts is explained as follows:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Profit/(loss) for the year before income tax expense | 14,163 | 3,230 |
| Prima facie income tax expense calculated at 30% (2020: 27.5%) | 4,249 | 888 |
| Tax impact of imputation credits and foreign tax credits | 52 | 79 |
| Foreign tax credits denied | (173) | (288) |
| Under provision in respect of prior years | 58 | - |
| Income tax expense/(benefit) | 4,186 | 679 |

Income tax expense/benefit comprised of:

| | | |
|--------------------------------|-------|-----|
| Current tax liability | | |
| Deferred tax (asset)/liability | 4,186 | 679 |

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7. Income tax (continued)

(b) Tax effects of items credited to equity

Amounts credited to equity in relation to the income tax effect of amounts recognised in equity:

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------|----------------|----------------|
| Initial public offering listing fee | 234 | 214 |
| | 234 | 214 |

(c) Deferred tax

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Deferred tax asset on current year taxable loss | - | 937 |
| Deferred tax asset on costs associated with the IPO | 3 | 46 |
| Deferred tax liability on unrealised investment gain | (2,805) | (1,719) |
| Deferred tax asset on unrealised foreign exchange loss | 284 | 609 |
| Deferred tax liability on dividends | (12) | (17) |
| Deferred tax asset on interest | 13 | 6 |
| Deferred tax asset on accruals | 6 | 8 |
| Total deferred tax asset/(liability) | (2,511) | (130) |

8. Share capital and share option reserve

Shares

There is a single class of ordinary shares on issue. For all shares issued in accordance with the Prospectus dated 16 January 2017 an option was also issued. The amount paid by each shareholder was allocated between the share and the option based on relative market prices on the first day of trading. Costs of fundraising were allocated between shares and options on the same basis.

Each Share confers on its holder equal voting rights and to share equally in dividends and any surplus on winding up.

Subject to the *Corporations Act 2001* and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

Movements in share capital during the period are set out below:

| | As at 30 June 2021 Shares | \$'000 | As at 30 June 2020 Shares | \$'000 |
|--|---------------------------------|--------|---------------------------------|--------|
| Ordinary shares - fully paid, net of IPO costs, net of tax | 43,126,084 | 48,232 | 41,784,743 | 45,934 |

Movement in ordinary share capital

| | Year ended 30 June 2021 Shares | \$'000 | Year ended 30 June 2020 Shares | \$'000 |
|--|--------------------------------------|---------------|--------------------------------------|---------------|
| Opening balance | 41,784,743 | 45,934 | 43,592,370 | 47,760 |
| Ordinary shares issued under Share Purchase Plan (SPP) | 4,359,313 | 5,550 | - | - |
| Shares acquired under buy-back | (3,017,972) | (3,252) | (1,807,627) | (1,826) |
| Cost of issued capital, net of tax | - | - | - | - |
| Sub-total | 43,126,084 | 48,232 | 41,784,743 | 45,934 |
| Less costs of shares issued in relation to the IPO, net of tax (see breakdown below) | - | - | - | - |
| | 43,126,084 | 48,232 | 41,784,743 | 45,934 |

On 5 March 2021, the directors of Fat Prophets Global Contrarian Fund (FPC) announced its Share Purchase Plan (SPP). Eligible shareholders who participated in the SPP are entitled to the dividend on shares issued under the SPP. On 9 April 2021, 4,145,182 ordinary shares were issued at 1.27 cents per share.

Costs of shares issued in relation to the IPO, net of tax, transferred to equity

At 30 June 2021, the Company incurred the following fees in relation to the IPO that were transferred to equity:

| | As at 30 June 2021 \$'000 | 30 June 2020 \$'000 |
|---|---------------------------------|------------------------|
| Listing Cost | 780 | 780 |
| Sub-total | 780 | 780 |
| Less current and future period tax deductions | (234) | (214) |
| Total costs of shares | 546 | 566 |

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8. Share capital and share option reserve (continued)

Substantial share holders

The top twenty shareholders as at 30 June 2021 were:

| Shareholder | As at | |
|---|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | Unitholding | Unitholding |
| 1 CS Third Nominees PTY Limited <HSBC Cust Nom AU Ltd 13 A/C> | 4,727,508 | 4,255,891 |
| 2 Fat Prophets Pty Ltd | 2,020,250 | 1,348,420 |
| 3 Mr David Allen Parker & Mrs Helen Thirza Jane Parker <Parker Super Fund A/c> | 1,000,000 | 1,000,000 |
| 4 Citicorp Nominees Pty Ltd <DPSL A/c> | 490,228 | 555,433 |
| 5 Y B & S Investments Pty Ltd <Prose Unit A/c> | 457,612 | 433,990 |
| 6 Danielle Gibson | 363,600 | 363,600 |
| 7 Mr Colin Weekes | 325,755 | 274,000 |
| 8 Ravenshaw Pty Ltd <Brodie Family Super A/c> | 298,622 | 275,000 |
| 9 CJ Magarey PTY LTD <CJ Magarey Super Fund A/C> | 273,622 | 200,000 |
| 10 M&L McCauley Investments Pty Ltd | 250,000 | 250,000 |
| 11 Salta PTY LTD<PA Goyen P/L Superplan A/C> | 250,000 | 85,000 |
| 12 Inmont Pty Ltd <Nicholas Galante A/c> | 223,622 | 200,000 |
| 13 HSBC Custody Nominees (Australia) Limited | 223,150 | 1,409,999 |
| 14 Rational Research Pty Ltd < Rational Research S/F A/c> | 218,622 | 195,000 |
| 15 Dillmar Pty Ltd <Petmar Family Pen Plan A/c> | 204,477 | 200,000 |
| 16 Mr Adrian Lobo | 203,752 | - |
| 17 H&S Stenning Pty Ltd <Stenning Family SF A/c> | 200,000 | 255,555 |
| 18 Nicholas James Galante & Kerry Maria Galante | 180,000 | 180,000 |
| 19 Narecol Pty Ltd <Super Fund A/C> | 180,000 | 180,000 |
| 20 Mr Gregory James Blight & Mr Stephen Maxwell Blight <Gregory Blight S/F A/C> | 163,622 | 140,000 |

9. Expenses

(a) Fees paid to the Investment Manager

The Company has appointed Fat Prophets Funds Management Pty Limited as the Investment Manager. A summary of the fees (GST exclusive) charged by the Investment Manager is set out below.

(i) Management fee

The Investment Manager is entitled to be paid a management fee equal to 1.25% p.a. of the Portfolio Net Asset Value. The management fee is calculated and accrued on the last day of each month and paid within 20 days of the end of the month.

(ii) Performance fee

At the end of each quarter, the Investment Manager is entitled to receive a performance fee of 20% (plus GST) of the difference between the Net Portfolio Value at the end of the relevant period and highest Net Portfolio Value of any preceding period.

The formula for the Performance Fee is outlined below:

$$PF = 0.20 \times (CNPV - PNPV + D - NC)$$

Where:

PF = the amount of the Performance Fee;

CNPV is the Net Portfolio Value on the last business day of the relevant quarter;

PNPV is the higher of:

(i) the Net Portfolio Value on the last business day of the immediately preceding quarter; and

(ii) the previous highest Net Portfolio Value calculated under this formula;

D is the aggregate of all dividends or other distributions in respect of all Shares paid or payable to Shareholders, or the value of entitlements other than cash dividends or distributions where those other entitlements are given or due to Shareholders, on a pre-tax basis, where the Shares were quoted 'ex' dividend, distribution or other entitlement on the ASX in respect of such dividend, distribution or other entitlement at any time during the quarter;

NC is the aggregate dollar value of any new capital subscribed for Shares during the quarter (including dividend reinvestments and exercise of options), calculated at the subscription price for that new capital less the costs incurred in raising that new capital less the aggregate dollar value of any buy-back of Shares or capital reduction or capital return during the quarter.

If PF is a negative number, no Performance Fee is payable in respect of that quarter.

The Performance Fee shall be paid to the Manager within twenty (20) days of the end of each quarter.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

9. Expenses (continued)

(b) Auditor's remuneration

During the year the following fees were paid or payable for services provided by PKF, the auditor of the Company:

| | Year ended 30 June 2021 \$ | Year ended 30 June 2020 \$ |
|--|----------------------------------|----------------------------------|
| Audit and review of the financial statements | 23,500 | 22,000 |
| Tax compliance services | 5,000 | 5,000 |
| | 28,500 | 27,000 |

10. Earnings per share

| | Year ended 30 June 2021 | Year ended 30 June 2020 |
|--|----------------------------|----------------------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 40,615,127 | 42,681,453 |
| Basic (loss)/earnings per share (cents) | 24.56 | 5.97 |
| Weighted average number of shares used in the calculation of diluted earnings per share | 40,615,127 | 42,681,453 |
| Diluted (loss)/earnings per share (cents) | 24.56 | 5.97 |

In the calculation of diluted earnings per share, options are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

11. Reconciliation of Net profit/(loss) after income tax to Cash Flow from Operating Activities:

| | Year ended 30 June 2021 \$'000 | Year ended 30 June 2020 \$'000 |
|---|--------------------------------------|--------------------------------------|
| Net profit/(loss) after income tax | 9,977 | 2,551 |
| Purchase of investments | (130,493) | (106,272) |
| Proceeds from sale of investments | 147,330 | 105,778 |
| Net gains/(losses) on investment | (15,680) | (5,427) |
| Net gains/(losses) on foreign exchange | 949 | (1,766) |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in receivables | 17 | (19) |
| Increase in deferred tax assets | 743 | 1,155 |
| Increase in current tax liability | 606 | 1,097 |
| Increase/(decrease) in deferred tax liabilities | 2,817 | (1,572) |
| Increase/(decrease) in payables | 316 | (40) |
| Increase in tax effect equity | 20 | - |
| Net cash inflow/(outflow) from operating activities | 16,602 | (4,515) |

12. Investment transactions

The total number of securities transactions entered into the during the reporting year, together with total brokerage paid during the reporting year was:

Number of transactions - 430 (2020: 435)

Total brokerage paid - \$356,022 (\$157,080 on purchases and \$198,942 on sales) (2020: \$384,085 (\$176,947 on purchases and \$207,138 on sales)).

Brokerage is a function of trading turnover, turnover was higher in 2021 v 2020.

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13. Investment Portfolio

Investments by geographical region and currency:

| | As at 30 June 2021 Fair Value A\$'000 | As at 30 June 2020 Fair Value A\$'000 |
|----------------|--|--|
| Australia | 23,113 | 22,471 |
| Europe - Euro | - | - |
| Europe - Other | 3,144 | 3,825 |
| Hong Kong | 9,832 | 7,893 |
| Japan | 9,519 | 5,064 |
| North America | 14,850 | 22,397 |
| Total | 60,458 | 61,650 |

The top 10 holdings of the Fund as at 30 June 2021 are as follows:

| Security | Domicile | As at 30 June 2021 A\$'000 | % of portfolio |
|--|---------------|----------------------------------|----------------|
| Collins Foods Ltd | Australia | 6,540 | 10.15% |
| Powerhouse Energy Group PLC | Great Britain | 3,144 | 4.88% |
| Domino's Pizza Limited | Australia | 3,008 | 4.67% |
| Praemium Limited | Australia | 2,381 | 3.69% |
| Alibaba Group Holding Ltd | China | 2,355 | 3.65% |
| Samsung Electronics Co Ltd Swap | United States | 2,234 | 3.47% |
| ProShares UltraShort 20+ Y TR ETF | United States | 1,956 | 3.04% |
| LG Household & Health Care Swap | United States | 1,951 | 3.03% |
| ProShares UltraPro Short 20+ Year Treasu | United States | 1,908 | 2.96% |
| BHP Billiton Limited | Australia | 1,894 | 2.94% |

14. Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and are as follows:

- The compensation arrangements with the Directors and Executive Directors (refer to Directors' Remuneration below);
- The interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to remuneration report included in the directors' report); and
- The Management Agreement between the Company and the Investment Manager (refer to Note 9 for details of fees paid to the Investment Manager).
Angus Geddes is Director of the Investment Manager.

Directors Remuneration

Directors' remuneration received or receivable for the year ended 30 June 2021 was:

| Director | Directors' fees \$ | Superannuation \$ | Total \$ |
|-------------------|-----------------------|----------------------|---------------|
| Michael Gallagher | 44,000 | - | 44,000 |
| Katrina Vanstone | 33,000 | - | 33,000 |
| Angus Geddes | - | - | - |
| | 77,000 | - | 77,000 |

Directors' remuneration received or receivable for the period ended 30 June 2020 was:

| Director | Directors' fees \$ | Superannuation \$ | Total \$ |
|-------------------|-----------------------|----------------------|---------------|
| Michael Gallagher | 44,000 | - | 44,000 |
| Katrina Vanstone | 33,000 | - | 33,000 |
| Angus Geddes | - | - | - |
| | 77,000 | - | 77,000 |

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15. Contingencies

As at 30 June 2021 and 30 June 2020, the Manager was not aware of any liabilities or gain or loss contingencies considered material, individually or in aggregate, that were required to be accrued or disclosed.

16. Commitments

As at 30 June 2021 and 30 June 2020, the Manager was not aware of any commitments considered material, individually or in aggregate, that were required to be accrued or disclosed.

17. Events subsequent to reporting date

No significant events have occurred since the reporting year which would impact on the financial position of the Company disclosed in the consolidated statement of financial position as at 30 June 2021 or on the results and cash flows of the Company for the year ended on that date.

18. Review of COVID-19 impact on continuing operations

Note the Company has not incurred any Covid-19 adverse impacts. The Company has continued normal operations throughout this period and does not forecast any disruptions at this time.

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DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021

1 In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 21 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, International Financial Reporting Standards (IFRS) as disclosed in Note 1 (a), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the 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.

2 The notes to the financial statements include a statement of compliance with Australian Financial Reporting Standards.

3 The directors have been given by the Executive Director and Chief Financial Officer the declarations for the year ended 30 June 2021 required by section 295A of the *Corporations Act 2001*.

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

Chairman



Sydney, NSW
31 August 2021