

Contango Asset Management Limited and Controlled Entities

ACN 080 277 998

APPENDIX 4D HALF-YEAR REPORT

HALF-YEAR ENDED 31 DECEMBER 2020

Results for announcement to the market

Reporting period: 1 July 2020 to 31 December 2020

Previous corresponding period: 1 July 2019 to 31 December 2019

Results		\$'000	%		31 Dec 20 \$'000	31 Dec 19 \$'000
Revenue from ordinary activities	Up	686	31.2	to	2,888	2,202
Loss from ordinary activities after tax attributable to members	Down	681	84.3	to	(127)	(808)
Net loss for the period attributable to members	Down	681	84.3	to	(127)	(808)

Dividends	Amount per security	Franked amount per security
Final dividend – no dividend is proposed	Nil	Nil
Interim dividend – no dividend is proposed	Nil	Nil

Record date for determining entitlements to the interim dividend	N/A
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NTA Backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	10.6 cents	11.2 cents

Gain of control of subsidiaries	N/A
Date of gain of control	N/A
Loss of control of subsidiaries	N/A

Contango Asset Management Limited and Controlled Entities

Appendix 4D

This information should be read in conjunction with the 2020 Annual Financial Report of Contango Asset Management Limited (ASX code: CGA) and its controlled entities and any public announcements made in the period by Contango Asset Management Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2020.

The Interim Financial Report has been subject to review by Ernst & Young and is not qualified.

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The Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by Contango Asset Management Limited (ASX Code: CGA) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Contango Asset Management Limited and Controlled Entities

CORPORATE INFORMATION

Contango Asset Management Limited
ABN 56 080 277 998

DIRECTORS

Roger Amos (Chairman)
Martin Switzer (Chief Executive Officer)
Nerida Campbell
Ken Poutakidis

COMPANY SECRETARY

Anthony Rule

REGISTERED OFFICE

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AUDITORS

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SHARE REGISTER

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SECURITIES EXCHANGE LISTING

Australian Securities Exchange
ASX Code – CGA

WEBSITE

www.contango.com.au

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement for CGA can be found at the Shareholder Centre at
www.contango.com.au

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT

for the half-year ended 31 December 2020

Dear Shareholder,

I am delighted to present this report for Contango Asset Management Limited and its Controlled Entities (**the Group** or **Contango**) for the half-year to 31 December 2020 (**H1 FY2021**).

Overview of Contango

Contango is a financial services company with a marketing and distribution platform that partners with, and promotes, high quality fund managers to the self-directed and Independent Financial Adviser (IFA) channels of the \$2.9¹ trillion Australian superannuation industry.

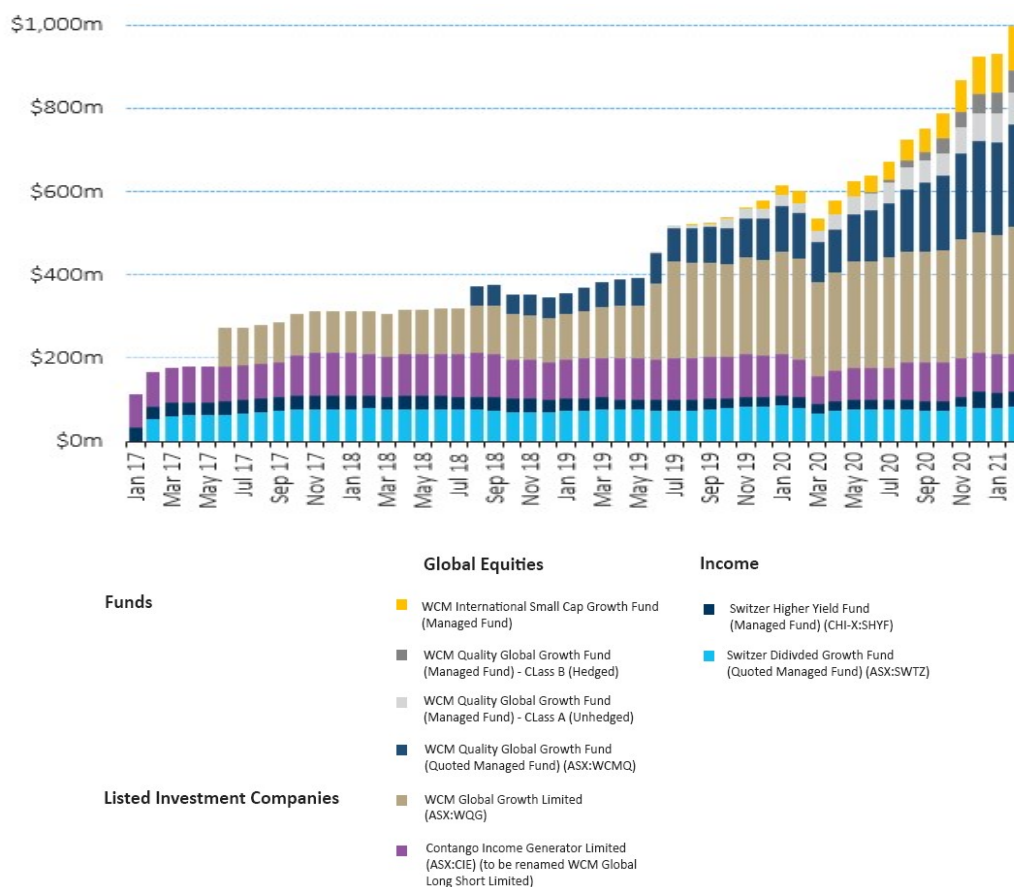
Contango continued to progress towards its strategic objectives in H1 FY2021. The Group grew its funds under management (**FUM**) by 44.4% over the half-year reporting period, recording net inflows of funds in every month throughout H1 FY2021 notwithstanding the challenges presented by COVID-19. The business is well on the path to being cash flow positive and profitable.

Funds Under Management

The Group's FUM grew to \$921.1 million at 31 December 2020 (30 June 2020: \$638.1 million) with positive net fund inflows during the six-month period of \$203.0 million.

The key driver of growth was the inflow of funds into the suite of investment products managed by WCM Investment Management (**WCM**). Since 1 January 2017, the Group has seen new retail FUM growth of more than \$883.7 million.

The below chart shows the strong growth in retail FUM since 2017:



¹ As at 30 September 2020. Source: The Association of Superannuation Funds of Australia

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

As at 19 February 2021, Contango's FUM was \$997.3 million, continuing its growth trajectory from the December 2020 half-year period.

Overview of Results and Operations

The Group's total revenue for the half-year to 31 December 2020 was \$2,888,000 (31 December 2019: \$2,202,000). The Group's net loss after tax for the half-year to 31 December 2020 was \$127,000 (31 December 2019: net loss after tax of \$808,000).

The Group's investment management, performance and service fees for the half-year period totalled \$2,598,000 (31 December 2019: \$2,044,000). This represented a 27.1% increase and was primarily due to the Group's growing retail product suite. The Group earned performance fees in the half-year period from both its WCM Quality Global Growth Equity Strategy and WCM International Small Cap Growth Strategy portfolios totalling \$125,000.

The Group remains well capitalised. Contango had cash of \$3.5 million and a receivable from NAOS Asset Management Limited of \$3.3 million (being \$6.8 million in total) with debt of \$1.25 million as at 31 December 2020. The receivable from NAOS represents the consideration for the assignment of an investment mandate in October 2017, with the final two instalments being payable to Contango in June 2021 and June 2022. It should be noted that this receivable is included in the Condensed Consolidated Statement of Financial Position at its discounted value of \$3.1 million in accordance with accounting standards.

Partnership with WCM

WCM is a top quartile global and international equities specialist with total FUM of over A\$106 billion². Based in Laguna Beach, California, WCM's investment process is based on the belief that corporate culture is the biggest influence on a company's ability to grow its competitive advantage or 'moat'. This investment process has resulted in the WCM Quality Global Growth Equity Strategy Composite outperforming the MSCI World Index by 6.8% per annum over more than a decade.

Contango has an exclusive retail distribution arrangement to distribute WCM's investment strategies into the Australian market. WCM's superior investment performance has contributed to the Group's growth in FUM and will be a key factor in driving future inflows. Since partnering with Contango in June 2017, WCM now has over \$877.5 million in FUM in Australia across its suite of retail and wholesale products.

A key priority for the business over the reporting period was to continue to build WCM's global equities brand in Australia in both the direct and financial advisory markets. Activities that have been undertaken by Contango to achieve this include:

- implementation of targeted investor and advisor engagement strategies by way of conferences, meeting activity and live-streamed events through channels such as the Switzer Financial Group;
- regular investor and advisor webinars with key WCM investment personnel;
- consistent and ongoing engagement with industry participants such as consultants, research houses and wealth platforms;
- ongoing digital communication with investors and advisers;
- national advertising campaigns increasing investor and advisor awareness of the WCM brand; and
- individual manager roadshows targeted at the advisor and broker channels.

² As at 31 December 2020

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

Global Equities Update

Over the reporting period WCM's investment strategies - WCM Quality Global Growth Equity Strategy Composite, WCM International Small Cap Growth Strategy Composite and WCM Quality Global Growth Long Short Equity Strategy Composite - continued to significantly outperform their respective benchmarks.

WCM Quality Global Growth Equity Strategy Composite

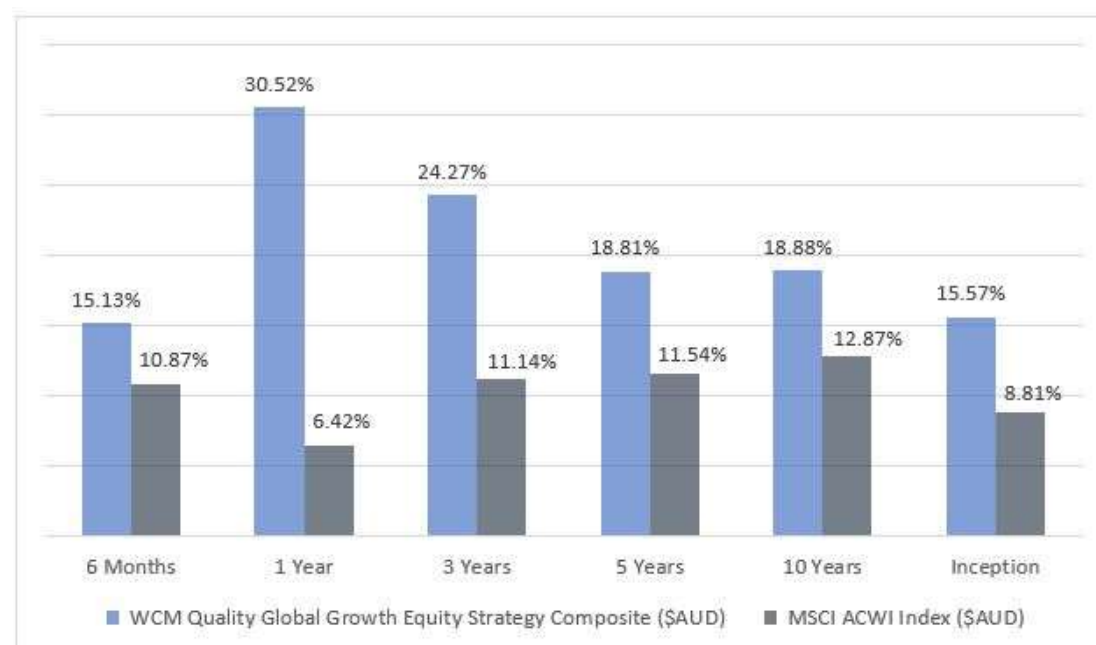
WCM Quality Global Growth Equity Strategy Composite is WCM's "large cap" strategy which delivered a return of 15.13% over the half-year period, outperforming its benchmark, the MSCI All Country World Index, by 4.26%.

The WCM Quality Global Growth Equity Strategy (ex-Australia) is accessible to Australian retail investors through the Group's three investment products, being:

- a listed investment company;
- an exchange-traded managed fund; and
- an unlisted managed fund which offers both hedged and unhedged units.

Each investment product provides exposure to the same underlying portfolio of quality global companies managed by WCM.

Annualised returns of the WCM Quality Global Growth Equity Strategy Composite³ versus its benchmark are shown below:



³ Data as at 31 December 2020 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results. Inception date of the WCM Quality Global Growth Equity Strategy Composite is 31 March 2008. WCM applies the same investment principles, philosophy and execution approach of its WCM Quality Global Growth Equity Strategy Composite to WCM Global Growth Limited (WQG), the WCM Quality Global Growth Fund (Quoted Managed Fund) (WCMQ) and the WCM Quality Global Growth Fund (Managed Fund). It should be noted that due to certain factors, there may be variances between the investment returns demonstrated by each portfolio in the future. Past performance is not indicative of future performance. The benchmark for WCM Quality Global Growth Equity Strategy Composite is the MSCI All Country World Index (MSCI ACWI Index). For further information please refer to contango.com.au.

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

WCM Global Growth Limited (WQG)

WQG is an ASX listed investment company which through continued investment outperformance, delivered an outstanding result in H1 FY2021 posting an after-tax profit of \$27.0 million.

Since listing in June 2017, Contango has worked in conjunction with the WQG Board to develop strategies to enhance shareholder value and grow the listed investment company. An example of this is the ongoing development of WQG's Dividend Policy and Dividend Reinvestment Plan (**DRP**).

Dividend Policy and DRP

In July 2020, WQG announced the commencement of partial franking of dividends, together with the implementation of a DRP in relation to its final dividend for the 2020 financial year (**FY2020**). Contango was pleased to offer WQG shareholders a one-time DRP participation incentive for the FY2020 final dividend.

The strong support from WQG's shareholders for this initiative was reflected in the DRP participation rate of 31.3% being one of the highest DRP participation rates for any listed investment company. The payment of the 3% DRP participation incentive was made by Contango in October 2020.

WQG's dividend policy was further enhanced with the announcement on 17 February 2021 that its interim dividend of 2.0 cents per share with respect to 1H FY2021 will be 100% franked and that any FY2021 final dividend will be fully franked.

Contango is delighted with the progress made in relation to WQG's dividend policy and DRP, and the value it has delivered to shareholders.

Bonus Option Issue

During the reporting period, the Contango team worked closely with the WQG Board to design and develop a loyalty initiative to reward shareholders for their ongoing support.

On 17 February 2021, the WQG Board resolved to issue shareholders with bonus loyalty options (**Options**).

The Options will be issued on a one (1) for three (3) basis and allow holders to subscribe for new shares in WQG at a fixed exercise price of \$1.50 per share. The Options are being issued as a bonus and at no cost to existing investors.

Contango believes that the initiative will provide significant benefits to WQG shareholders including:

- rewarding the loyalty and ongoing support of existing shareholders by issuing the options as a bonus;
- should the options be exercised:
 - expanding WQG's scale and increasing the liquidity of its shares;
 - increasing the breadth and depth of the WQG shareholder base; and
 - lowering WQG's fixed operating cost per share.
- reinforcing WQG's position as a leading global equities listed investment company; and
- further enhancing the profile of WCM in the Australian market.

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

Shareholder Engagement

A key priority for Contango and the WQG Board over the reporting period was to continue to implement its shareholder engagement strategy to address WQG's share price discount to its Net Tangible Assets (**NTA**).

Over the past 12 months, Contango has made outstanding progress in reducing WQG's share price discount to NTA. On 31 December 2019, WQG was trading at a post-tax NTA discount of -6.3%. In contrast, on 31 December 2020, WQG traded at a post-tax NTA premium of 8.2%.

WCM Quality Global Growth Fund (Quoted Managed Fund) (WCMQ)

WCMQ is an exchange-traded managed fund that launched on the ASX in September 2018. The fund has been well supported in the direct and intermediary channels and is approved for use on several leading wealth platforms.

At 31 December 2020, WCMQ's FUM had reached over \$219.5 million, growing by almost 83% from June 2020.

WCM Quality Global Growth Fund (Managed Fund)

The WCM Quality Global Growth Fund (Managed Fund) was launched in June 2019 and is accessible to retail investors via several wrap platforms. Several leading research houses have initiated coverage on the fund with two providing 'Recommended' ratings. Throughout the reporting period the fund gained approval for use on several of the country's market leading wealth platforms and was also included in a number of model portfolios with financial planning groups.

In June 2020, in response to investor demand, the Group added a new class of units (Class B) which are hedged back into Australian dollars to reduce the risk associated with exposure to international currencies. The Class B units were seeded by a leading wealth manager and the new class of units has been awarded a 'Recommended' rating by a leading research house.

At 31 December 2020, the unhedged class of units had FUM of approximately \$68 million and the hedged class of units had FUM of approximately \$47 million, together growing the WCM Quality Global Growth Fund (Managed Fund) by a combined total of almost 158% from June 2020.

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

WCM International Small Cap Growth Strategy Composite

The WCM International Small Cap Growth Strategy Composite delivered a return of 22.73% during the six month period to 31 December 2020, outperforming its benchmark the MSCI ACWI ex USA Small Cap Index, by 5.67%.

The WCM International Small Cap Growth Strategy is available to wholesale investors via an unlisted managed fund.

Annualised returns of the WCM International Small Cap Growth Strategy Composite⁴ versus its benchmark are shown below:



WCM International Small Cap Growth Fund (Managed Fund)

The WCM International Small Cap Growth Fund (Managed Fund) was launched by Contango in August 2019 as a wholesale vehicle targeted at leading wealth managers and high net worth investors.

At 31 December 2020, the fund had FUM of approximately \$88 million growing by almost 60% from June 2020.

⁴ WCM applies the same investment principles, philosophy, and execution approach of its WCM International Small Cap Growth Strategy Composite, which was created 31 December 2014, to the WCM International Small Cap Growth Fund (Managed Fund). Past performance is not indicative of future performance. The benchmark for WCM International Small Cap Growth Strategy Composite is the MSCI ACWI ex USA Small Cap Index. For further information please refer to contango.com.au.

Contango Asset Management Limited and Controlled Entities

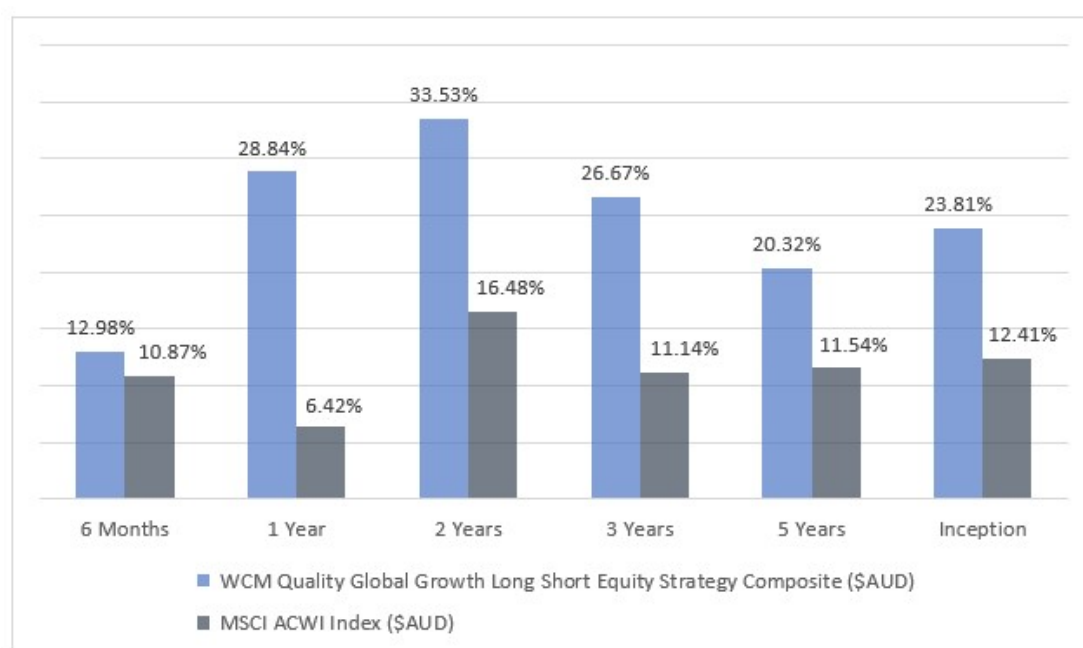
MANAGING DIRECTOR'S REPORT (continued)

WCM Quality Global Growth Long Short Equity Strategy Composite

The WCM Quality Global Growth Long Short Equity Strategy Composite has, since inception on 30 June 2014, generated a return of 23.81% per annum, outperforming its benchmark, the MSCI All Country World Index, by an annualised 11.40% per annum⁵.

The WCM Quality Global Growth Long Short Equity Strategy has recently been made available to investors via an ASX listed investment company.

Annualised returns of the WCM Quality Global Growth Long Short Equity Strategy Composite versus its benchmark are shown below⁶:



Contango Income Generator Limited (CIE) (to be renamed WCM Global Long Short Limited)

On 18 September 2020, CIE's shareholders approved the resolution to adopt a new strategy for CIE's investment portfolio, moving to a global long short strategy managed by WCM. The WCM Quality Global Growth Long Short Equity Strategy Composite (**QGLS**) is a new addition to the WCM product suite in Australia.

On 15 January 2021, the Board of CIE entered into a binding term sheet with WAM Capital Limited (ASX: WAM) (**WAM**) and its investment manager in relation to a selective buy-back of WAM's 69.6% holding of ordinary shares in CIE following the close of WAM's takeover offer for CIE on 13 November 2020.

The selective buy-back is subject to a number of conditions, including shareholder approval at an upcoming Extraordinary General Meeting (**EGM**) of CIE.

The CIE Board has also announced that it will propose a special resolution at the upcoming EGM to change the name of CIE to WCM Global Long Short Limited. This initiative will align

⁵ WCM applies the same investment principles, philosophy, and execution approach of its WCM Quality Global Growth Long Short Equity Strategy Composite, which was created 30 June 2014, to the Contango Income Generator Limited portfolio. Past performance is not indicative of future performance. The benchmark for the WCM Quality Global Growth Long Short Equity Strategy Composite is the MSCI All Country World Index (MSCI ACWI Index). For further information please refer to contango.com.au.

⁶ Data as at 31 December 2020 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results.

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

WCM with CIE's new investment strategy, increasing its relevance in the marketplace under the WCM brand, and introduce a new strategy to the WCM product suite in the Australian market.

Income Update

The Group manages two income products that are targeted at the direct and intermediary market – the Switzer Dividend Growth Fund (**SWTZ**) and the Switzer Higher Yield Fund (**SHYF**).

Switzer Dividend Growth Fund (SWTZ)

SWTZ is an income-focused exchange traded managed fund with a mix of yield and quality companies. SWTZ continues to be marketed and promoted to the Group's direct investor channel.

At 31 December 2020, SWTZ had 2,709 unitholders and FUM of approximately \$81 million. While the current landscape has been challenging for value oriented, yield generation stocks, SWTZ has delivered on its objective of providing a consistent and reliable income stream for its investors.

Switzer Higher Yield Fund (SHYF)

On 2 December 2020, Contango announced that it appointed Coolabah Capital Institutional Investments, a leading active credit manager, to manage SHYF.

SHYF is a floating-rate bond fund that seeks to provide investors with an attractive cash yield with low capital volatility by investing in a portfolio of high quality and liquid fixed income securities.

The existing \$23 million fund was relaunched as a quoted managed fund with its units quoted on the Chi-X Australia Exchange (**Chi-X**) on 23 December 2020. Investors are now able to purchase and redeem units in SHYF via their broker or directly with Switzer Asset Management Limited, the responsible entity.

SHYF was the first fixed income product in Australia to launch as a quoted managed fund and just the third product to use this structure.

The re-launch was well supported by retail investors, with SHYF raising over \$14 million in additional capital through a short offer period.

Growth in Retail Investor Base

As at 19 February 2021, Contango had over 13,549 unitholders and shareholders across its product suite.

Staff Update

In recognition of the outstanding support to the business that Contango's employees have provided throughout the COVID-19 pandemic, the Board reviewed the salaries of its employees who had earlier taken salary reductions and approved a partial reinstatement of these salaries effective from 1 October 2020.

In addition, the Board approved the issue of fully paid ordinary shares and performance rights to certain employees during the period to align further their interests with those of Contango's shareholders.

The fees of the Independent Directors were also reviewed and have been reinstated to pre-COVID levels, effective from 1 January 2021.

Contango Asset Management Limited and Controlled Entities

MANAGING DIRECTOR'S REPORT (continued)

The Year Ahead

Contango's strategic priorities for the year ahead include continued growth in FUM, through prudent investment performance and exceptional client service. The Group will continue to strengthen its existing manager partnerships and look to identify best of breed partners for the launch of new products through Contango's distribution platform.

The Group's future results will largely depend on market movements and its ability to grow and retain FUM. This will be supported by the continued commitment to invest in the future growth of the business in a prudent manner, while maintaining a focus on cost control and making effective savings where appropriate over the remainder of the 2021 financial year.

The Group now has an operating structure and business model that can grow FUM, build scale and lead to profitability in the near term. This coupled with Contango's strong financial position will enable the Company to take advantage of future market opportunities and achieve its long-term growth objectives.

Yours Sincerely



Marty Switzer

Managing Director

Contango Asset Management Limited and Controlled Entities

DIRECTORS' REPORT

The Directors of Contango Asset Management Limited (**the Company**) present their report on the Company and its controlled entities (**the Consolidated Entity or the Group**) for the half-year to 31 December 2020.

Directors

The following persons were Directors of the Company during the whole of the half-year to 31 December 2020 and up to the date of this report unless otherwise stated:

Roger Amos (Chairman)
Martin Switzer (Managing Director and Chief Executive Officer)
Nerida Campbell
Ken Poutakidis

Principal activities

The principal activity of the Group during the half-year was the provision of funds management services to retail and wholesale clients.

Review of financial results and operations

The Group's total revenue for the half-year to 31 December 2020 was \$2,888,000 (31 December 2019: \$2,202,000). The Group's net loss after tax for the half-year to 31 December 2020 was \$127,000 (31 December 2019: net loss after tax \$808,000). Refer to the Managing Director's Report on page 5 for further information on the Group's operations, including details on the Group's results, strategy and future outlook.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the half-year ended 31 December 2020 other than those matters stated in this report and the half-year financial report.

Significant events after the balance date

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results

Any further information on likely developments in the operations of the Group and the expected results of operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

Contango Asset Management Limited and Controlled Entities

DIRECTORS' REPORT (continued)

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 16.

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



Roger Amos
Chairman

Sydney
22 February 2021



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Auditor's Independence Declaration to the Directors of Contango Asset Management Limited

As lead auditor for the review of the half-year financial report of Contango Asset Management Limited for the half-year ended 31 December 2020, 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; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Contango Asset Management Limited and the entities it controlled during the financial period.

Ernst & Young

Luke Slater
Partner
22 February 2021

Contango Asset Management Limited and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
Revenue			
Investment management fees		2,258	1,794
Performance fees		125	-
Service fees		215	250
Interest income		4	8
Effective interest income on NAML receivable		103	150
Government grant income		183	-
Total revenue		2,888	2,202
Expenses			
Employee benefit expense		1,281	1,496
Professional services expense		185	232
Direct Fund expenses		501	465
Corporate & administration expenses	3	937	777
Depreciation and amortisation expense	3	56	4
Finance costs		55	36
Total expenses		3,015	3,010
Net loss before income tax		(127)	(808)
Income tax expense		-	-
Net loss after income tax		(127)	(808)
Other comprehensive income/(loss), net of income tax			
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the Company		(127)	(808)

Earnings per share attributable to the ordinary equity holders of the Company:	Cents	Cents
Basic earnings per share	(0.27)¢	(1.71)¢
Diluted earnings per share	(0.27)¢	(1.71)¢

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Contango Asset Management Limited and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020

		31 December 2020 \$'000	30 June 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		3,482	3,941
Trade and other receivables	4	2,999	2,737
Other assets	5	374	188
Total current assets		6,855	6,866
Non-Current assets			
Trade and other receivables	4	1,626	1,576
Other financial assets		96	74
Goodwill	6	4,806	4,806
Property, plant and equipment		20	22
Right-of-use asset	7	364	-
Total non-current assets		6,912	6,478
Total assets		13,767	13,344
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,905	1,976
Lease liabilities	9	62	-
Provisions		312	290
Total current liabilities		2,279	2,266
Non-current liabilities			
Lease liabilities	9	359	-
Provisions		21	41
Borrowings	10	1,252	1,252
Total non-current liabilities		1,632	1,293
Total liabilities		3,911	3,559
Net assets		9,856	9,785
EQUITY			
Issued capital	11	149,993	149,839
Reserves		87	43
Accumulated losses		(140,224)	(140,097)
Total equity		9,856	9,785

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Contango Asset Management Limited and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 December 2020

	Note	Issued Capital	Share Option Reserves	Accumulated Losses	Total
		\$'000	\$'000	\$'000	\$'000
Equity - Balance at 1 July 2019		149,839	-	(138,934)	10,905
Loss for the period		-	-	(808)	(808)
Total comprehensive loss		-	-	(808)	(808)
Share based payment		-	3	-	3
Balance at 31 December 2019		149,839	3	(139,742)	10,100
Equity - Balance at 1 July 2020		149,839	43	(140,097)	9,785
Loss for the period		-	-	(127)	(127)
Total comprehensive loss		-	-	(127)	(127)
Issue of share capital	11	154	-	-	154
Share based payment	12	-	44	-	44
Balance at 31 December 2020		149,993	87	(140,224)	9,856

The Condensed Statement of Changes in Equity is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Contango Asset Management Limited and Controlled Entities

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,608	2,082
Receipts from governments and others	283	-
Payments to suppliers and employees	(3,252)	(3,244)
Underwriting fee paid	-	(1,212)
Interest received	4	8
Finance costs paid	(100)	(60)
Net cash outflow from operating activities	(457)	(2,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2)	(17)
Net cash outflow from investing activities	(2)	(17)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	750
Net cash inflow from financing activities	-	750
NET DECREASE IN CASH AND CASH EQUIVALENTS	(459)	(1,693)
Cash and cash equivalents at the beginning of period	3,941	4,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,482	2,749

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by Contango Asset Management Limited (**the Company**) and the Company and its controlled entities (**the Consolidated Entity or the Group**) in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on the same date as the Directors' Declaration.

(b) Comparatives

Where necessary comparatives have been reclassified for consistency with current year disclosures.

(c) New standards adopted as at 1 July 2020

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

(d) Changes in Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2020, except as described above. Note that the changes in accounting policies specified above only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2020 are the relevant policies for the purposes of comparatives.

NOTE 2: DIVIDENDS

No interim dividend has been declared or paid in respect to the half-year ended 31 December 2020 (31 December 2019: nil).

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2020

NOTE 3: EXPENSES

Expenses for the half-year included:

	31 December 2020 \$'000	31 December 2019 \$'000
Corporate and administration expense:		
Marketing and distribution expense	(134)	(148)
Audit fees	(89)	(104)
Director fees	(98)	(110)
Rental expense	(20)	(79)
Legal expenses	(88)	(49)
Listing and Registry expense	(42)	(66)
IT, office and communication expense	(39)	(30)
Share-based payment expense	(198)	(3)
Other expenses	(229)	(188)
	(937)	(777)
Depreciation and amortisation expense		
Depreciation expense – Property, plant and equipment	(4)	(4)
Amortisation expense – Right-of-use asset	(52)	-
	(56)	(4)

NOTE 4: TRADE AND OTHER RECEIVABLES

	31 December 2020 \$'000	30 June 2020 \$'000
Current		
Trade receivables	1,394	1,140
Sundry debtors	-	45
NAML receivable ¹	1,605	1,552
Total current trade and other receivables	2,999	2,737
Non-current		
NAML receivable ¹	1,500	1,450
Other receivable	126	126
Total non-current trade and other receivables	1,626	1,576

¹ The NAML receivable represents the deferred consideration payable by NAOS Asset Management Limited (NAML) to Contango Financial Management Limited (CFML), a controlled entity of the Group, over a two-year period in accordance with conditions of the arrangement. The NAML receivable has been measured at amortised cost using the effective interest method.

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2020

NOTE 5: OTHER ASSETS

	31 December 2020 \$'000	30 June 2020 \$'000
Current		
Prepayments	374	188
Total Other Assets	374	188

NOTE 6: GOODWILL

	31 December 2020 \$'000	30 June 2020 \$'000
Goodwill		
At cost	8,636	8,636
Accumulated impairment loss	(3,830)	(3,830)
	4,806	4,806
Total Goodwill	4,806	4,806

(a) Movements in carrying amounts of goodwill

	Goodwill \$'000
Opening value at 1 July 2020	4,806
Impairment loss	-
Closing value at 31 December 2020	4,806

Impairment testing

Goodwill acquired in a business combination is tested for impairment at least annually and when there is an indication that there may be impairment. The Group performed its annual impairment test in June 2020. For the purposes of impairment testing, goodwill arising from the acquisition of Switzer Asset Management Limited (SAM) has been allocated to the Group's sole cash-generating unit, being its investment management business.

In assessing whether there may be an indication of impairment, the Directors have compared the Group's carrying value of the cash generating unit with the recoverable amount, being the cash generating unit's fair value less costs to sell. The Directors have not identified any indicators for impairment since 30 June 2020 to require impairment as at 31 December 2020.

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

NOTE 7: RIGHT-OF-USE ASSET

	31 December 2020 \$'000	30 June 2020 \$'000
Leased office space		
Right-of-use asset	416	-
Accumulated amortisation	(52)	-
Total right-of-use asset	364	-

(a) Movements in carrying amounts of right-of-use asset

	Leased office space \$'000	Total \$'000
Opening balance at 1 July 2020	-	
Additions	416	416
Accumulated amortisation	(52)	(52)
Net carrying amount	364	364

The Group leases an office space in Sydney, which has a lease term of 4 years.
The Group does not have any leases which contain variable lease payments.

(b) AASB 16 related amounts recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	31 December 2020 \$'000	31 December 2019 \$'000
Amortisation charge related to right-of-use asset	52	-
Interest expense on lease liabilities	5	-
	57	-

NOTE 8: TRADE AND OTHER PAYABLES

	31 December 2020 \$'000	30 June 2020 \$'000
Current		
Trade payables	220	286
GST payable	203	328
Accrued expenses	1,482	1,304
Other payables	-	58
Total current trade and other payables	1,905	1,976

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

NOTE 9: LEASE LIABILITIES

	31 December 2020 \$'000	30 June 2020 \$'000
Maturity analysis:		
Year 1	70	-
Year 2	143	-
Year 3	149	-
Year 4	77	-
Total current trade and other receivables	439	-
Less: interest payable	(18)	-
	421	-
Analysed as:		
Current	62	-
Non-current	359	-
	421	-

The Group does not face a significant liquidity risk regarding its lease liabilities.

NOTE 10: BORROWINGS

	31 December 2020 \$'000	30 June 2020 \$'000
Non-current		
Other unsecured loans	1,252	1,252
Total non-current borrowings	1,252	1,252

Summary of borrowing arrangements

Borrowings at 31 December 2020 consisted of the following arrangements:

- \$502,000 unsecured loan repayable in nine years at a fixed interest rate of 8% per annum, with interest paid in arrears; and
- \$750,000 unsecured loan repayable in three years at a fixed interest rate of 8% per annum, with interest paid in arrears.

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2020

NOTE 11: CONTRIBUTED EQUITY

Movements in ordinary share capital:

Details	Number of shares	\$'000
Opening Balance as at 1 July 2020	47,278,818	149,839
Details:		
Issue of shares	211,767	154
Balance as at 31 December 2020	47,490,585	149,993

On 24 November 2020, the Group issued 211,767 ordinary shares in the Company to certain employees amounting to a value of \$153,637. Each share has the same right to receive dividends and the repayment of capital as all other ordinary shares in the Company and represents one vote at shareholders' meetings.

NOTE 12: PERFORMANCE RIGHTS

On 17 December 2019, the Company issued 350,000 performance rights to key executives within the business. The performance rights were independently valued using the Black-Scholes options pricing model. The expected life of the performance rights is 18 months with the sole requirement that the employee be employed by the Group at the date of vesting. The fair value of the performance rights at valuation date is \$161,000. The share-based payment expense recognised in the half-year to 31 December 2020 reporting period in relation to these performance rights was \$40,535.

The fair value of the performance rights was estimated on the grant date using the following assumptions:

Exercise price (\$)	0.00
Dividend yield (%)	0.00
Expected Volatility (%)	70.00
Risk free interest rate (%)	0.77
Fair value per option (\$)	0.46

On 15 December 2020, the Company issued 150,000 performance rights to certain employees within the business. The performance rights were independently valued using the Black-Scholes options pricing model. The expected life of the performance rights is 18 months with the sole requirement that the employee be employed by the Group at the date of vesting. The fair value of the performance rights at valuation date is \$126,000. The share-based payment expense recognised in the 31 December 2020 reporting period in relation to these performance rights was \$2,937.

The fair value of the performance rights was estimated on the grant date using the following assumptions:

Exercise price (\$)	0.00
Dividend yield (%)	0.00
Expected Volatility (%)	70.00
Risk free interest rate (%)	0.10
Fair value per option (\$)	0.84

Contango Asset Management Limited and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the half-year ended 31 December 2020

NOTE 12: PERFORMANCE RIGHTS (CONTINUED)

Movements during the half-year

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Performance rights outstanding as at 1 July	350,000	0.00	0	0.00
Granted during the half-year	150,000	0.00	350,000	0.00
Forfeited during the half-year	-	-	-	-
Exercised during the half-year	-	-	-	-
Expired during the half-year	-	-	-	-
Performance rights outstanding as at 31 December	500,000	0.00	350,000	0.00
Performance rights exercisable as at 31 December	0	0.00	0	0.00

NOTE 13: RELATED PARTY TRANSACTIONS

The Group has an existing marketing and distribution agreement with Switzer Financial Group Pty Limited and paid \$75,000 for this service during the half-year to 31 December 2020 (31 December 2019: \$75,000). There are no amounts outstanding at 31 December 2020.

NOTE 14: SEGMENT INFORMATION

The Group operates solely in the business of providing investment management services. Revenue, profit, net assets and other financial information reported to and monitored by the Chief Operating Decision Maker (CODM) for the single identified operating segment are the amounts reflected in the Condensed Consolidated Statement of Profit & Loss and Other Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows. The CODM has been identified as the Managing Director and Chief Executive Officer.

NOTE 15: CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2020 (30 June 2020: none).

NOTE 16: EVENTS OCCURRING AFTER BALANCE DATE

The Directors are not aware of any matter or circumstance which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the Group, the results of its operations or the state of the Group in subsequent years

Contango Asset Management Limited and Controlled Entities

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the financial statements and notes set out on pages 16 to 26 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that the Consolidated Entity 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.



Roger Amos
Chairman

Sydney
22 February 2021

Independent Auditor's Review Report to the Members of Contango Asset Management Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Contango Asset Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed 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 Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated 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*.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

22 February 2021