

Contango Asset Management Limited and Controlled Entities

ACN 080 277 998

Financial report for the year ended 30 June 2020

APPENDIX 4E –FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Results for Announcement to the Market

| Results 30 June 2020 | | \$'000 | % | | 2020 \$'000 | 2019 \$'000 |
|---|------|---------|--------|----|----------------|----------------|
| Revenue from ordinary activities ¹ | Down | (2,413) | (32.8) | to | 4,933 | 7,346 |
| Loss from ordinary activities after tax attributable to members | Up | 4,046 | 77.7 | to | (1,163) | (5,209) |
| Net loss for the period attributable to members | Up | 4,046 | 77.7 | to | (1,163) | (5,209) |

¹Revenue for the previous corresponding period includes \$3,793,000 million relating to the gain on revaluation of Switzer Asset Management Limited in step acquisition.

Dividends Paid and Proposed

| | Amount per Security | Franked Amount per Security at 27.5% of Tax |
|---|------------------------|--|
| Ordinary shares: | | |
| Final Dividend – no dividend proposed | Nil | Nil |
| Interim Dividend – no dividend proposed | Nil | Nil |

| | |
|--|-----|
| Record date for determining entitlements to the final dividend on ordinary shares: | N/A |
|--|-----|

Explanation of Key Information and Dividends

Refer to the accompanying Managing Directors' report in the Annual Report for commentary on the results.

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to page 19 of the 30 June 2020 financial report and accompanying notes for Contango Asset Management Limited and Controlled Entities.

Statement of Financial Position with Notes to the Statement

Refer to page 20 of the 30 June 2020 financial report and accompanying notes for Contango Asset Management Limited and Controlled Entities.

Statement of Changes in Equity with Notes to the Statement

Refer to page 21 of the 30 June 2020 financial report and accompanying notes for Contango Asset Management Limited and Controlled Entities.

Contango Asset Management Limited and Controlled Entities

ACN 080 277 998

Financial report for the year ended 30 June 2020

APPENDIX 4E –FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Statement of Cash Flows with Notes to the Statement

Refer to page 22 of the 30 June 2020 financial report and accompanying notes for Contango Asset Management Limited and Controlled Entities.

Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation during the financial year.

| NTA Backing | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| Net tangible asset backing per ordinary share (cents) | 10.5 cents | 12.9 cents |

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

Commentary on the Results for the Period

Refer to the commentary on the results for the period contained in the Managing Director's Report included in the annual report.

Status of Audit

The 30 June 2020 financial statements and accompanying notes for Contango Asset Management Limited and Controlled Entities have been audited and are not subject to any disputes or qualifications. Refer to page 52 of the 30 June 2020 financial report for a copy of the auditor's report.

Contango Asset Management Limited and Controlled Entities

ACN: 080 277 998

Financial Statements

For the Year Ended 30 June 2020

Contango Asset Management Limited and Controlled Entities

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Contango Asset Management Limited and Controlled Entities

ABN 56 080 277 998

Corporate Information

This financial report covers the consolidated entity comprising Contango Asset Management Limited and its controlled entities (the "Group") for the financial year ended 30 June 2020.

The functional and presentation currency of the Group is Australian Dollars (\$).

DIRECTORS

Roger Amos (Chairman)
Martin Switzer (Managing Director)
Nerida Campbell
Ken Poutakidis (Appointed 17 December 2019)
Charles Aitken (Resigned 17 December 2019)

COMPANY SECRETARY

Anthony Rule

REGISTERED OFFICE

Level 6
10 Spring Street
Sydney NSW 2000

Telephone: +61 2 9048 7888

PRINCIPAL PLACE OF BUSINESS

Level 6
10 Spring Street
Sydney NSW 2000

Telephone: +61 2 9048 7888

AUDITORS

Ernst & Young
8 Exhibition St
MELBOURNE VIC 3000

SHARE REGISTER

Link Market Services Limited
Level 12
680 George Street
SYDNEY NSW 2000

Ph: +61 2 8280 7111

STOCK EXCHANGE LISTINGS

The Company is listed on the Australian
Securities Exchange
ASX Code – CGA

Contango Asset Management Limited and Controlled Entities

Corporate Governance Statement For the Year Ended 30 June 2020

The Board and management of Contango Asset Management Limited ('the Company') are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations ('the Corporate Governance Statement').

The Corporate Governance Statement is accurate and up to date as at 26 August 2020 and has been approved by the Board.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement is available for review on the Company's website (www.contango.com.au) and will be lodged together with an Appendix 4G at the same time that the Company's Annual Report is lodged with ASX.

The Appendix 4G will identify each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's website (www.contango.com.au).

Contango Asset Management Limited and Controlled Entities

Managing Director's Report For the Year Ended 30 June 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 year ended 30 June 2020.

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 trillion superannuation industry (source: Australian Superannuation Fund Association).

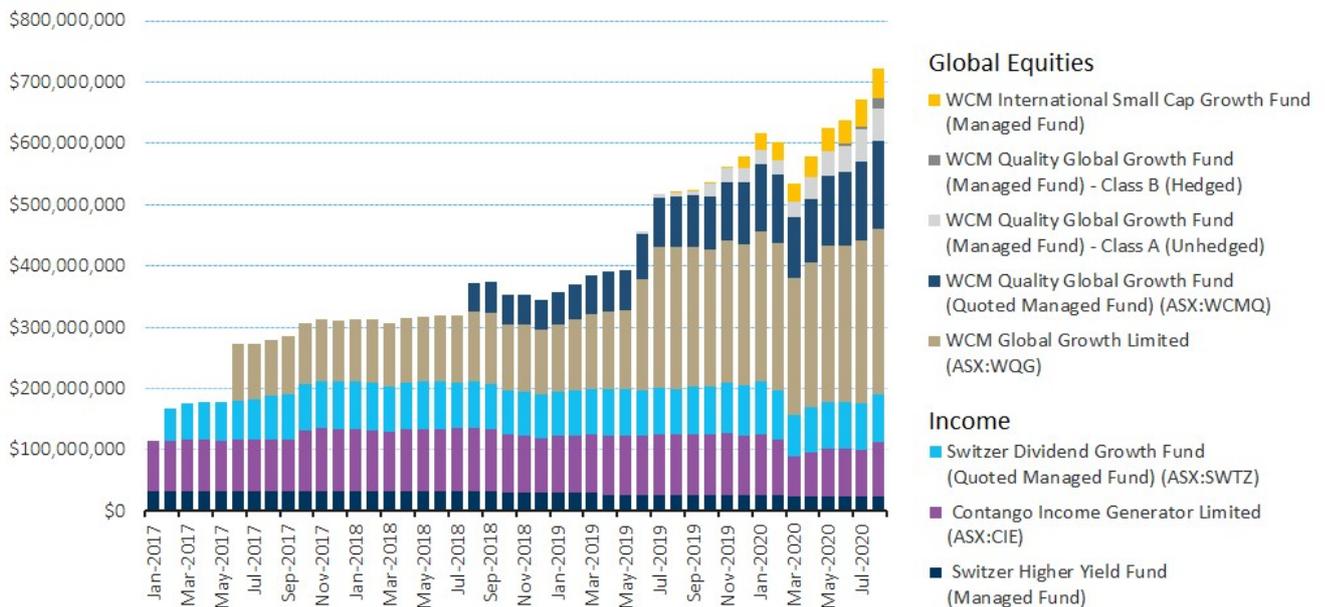
The 2020 financial year (**FY2020**) was one of progress and growth for the Group. Our strategic objectives in FY2020 were to build distribution capability to grow our existing product suite, strengthen our relationships with existing manager partnerships and launch new products. Despite the challenges presented by COVID-19 in the second half of the financial year, the business grew its funds under management (**FUM**) over the reporting period by 40%. The Group recorded net inflows of funds in every month throughout FY2020 and, with a significantly reduced cost base, is well on the path to being cash flow positive and profitable.

Funds Under Management

The Group's FUM grew to \$638.1 million at 30 June 2020 (30 June 2019: \$455.9 million) with positive net fund inflows during the year of \$165.0 million.

The key driver of growth was inflows of funds into the suite of investment products managed by WCM Investment Management. Since 1 January 2017, the Group has seen new retail FUM growth of more than \$550 million.

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



As at 21 August 2020, Contango's FUM was \$721.7 million, continuing its growth trajectory into the 2021 financial year.

Overview of Results and Operations

The Group's total revenue for FY2020 was \$4.933 million (FY2019: \$7.346 million). The Group's net loss after tax for FY2020 was \$1.163 million (FY2019: net loss after tax \$5.209 million).

Contango Asset Management Limited and Controlled Entities

Managing Director's Report For the Year Ended 30 June 2020

The Group's investment management, performance and service fees in FY2020 totalled \$4.408 million (FY2019: \$3.113 million). This represented a 42% increase and was primarily due to the Group's new and growing retail funds. The Group's revenue in the prior financial year included a revaluation gain of \$3.792 million arising from the full acquisition of Switzer Asset Management Limited (**SAM**).

The Group also received its first meaningful performance fees in June 2020 relating to its WCM Quality Global Growth and WCM International Small Cap Growth portfolios totalling \$165,000.

In response to the COVID-19 pandemic, a detailed review of the Group's financial position and operations was conducted to reduce its cost base to counter anticipated lower revenues over the short to medium term. The Group announced to the ASX on 8 April 2020 that effective from 1 April 2020, employment costs on an annualised basis had been reduced by approximately \$450,000 and that further cost initiatives had been implemented which were expected to lower the Group's cost base over the 2021 financial year. In addition, from 1 April 2020 to 30 September 2020 Contango is forecasting to receive total government support from JobKeeper payments of \$292,500 of which \$132,000 has been recognised as government income in FY2020.

The current operating environment has provided Contango with the opportunity to re-set certain variable business costs which, with continued management control of costs, will reduce the Group's operating cost base over the medium and longer term.

Furthermore, the Group remains well capitalised, with cash and receivables of \$8.3 million and debt of \$1.25 million as at 30 June 2020. The Board believes that this strong financial position will enable Contango to take advantage of expected future market opportunities and to achieve its long-term growth objectives.

In June 2020, Contango received a further payment of \$1.7 million relating to the assignment of an investment mandate to NAOS Asset Management Limited. A total amount of \$3.3 million remains payable to Contango in relation to this transaction, payable in two annual instalments in June 2021 and 2022. It should be noted that this receivable is included on the Consolidated Statement of Financial Position as \$3.0 million (discounted) in accordance with accounting standards.

On 17 December 2019, the Board made the decision to issue 350,000 performance rights in aggregate to key executives within the business. The decision was made to further align their interest with those of the shareholders and as a reward for their efforts in successfully transitioning the Group from a product manufacturer to a marketing and distribution platform. The transition has removed significant costs from the business and materially increased FUM over the last two years.

Future results will largely depend on market movements and the Group's 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 focus on cost control and making effective savings where appropriate over the course of the 2021 financial year.

Global Equities Update – WCM Investment Management

A key objective for the business in FY2020 was to build the leading WCM global equities brand in Australia in the direct and financial advisory markets.

WCM is a top quartile global and international equities specialist with total FUM of over A\$85 billion. 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 WCM's Quality Global Growth strategy outperforming the MSCI World Index by 6.6% per annum over more than a decade.

Contango has an exclusive retail distribution arrangement to distribute WCM's strategies in Australia.

WCM strategies significantly outperform over FY2020

Over the reporting period the WCM large cap and small cap strategies significantly outperformed their respective benchmarks for FY2020.

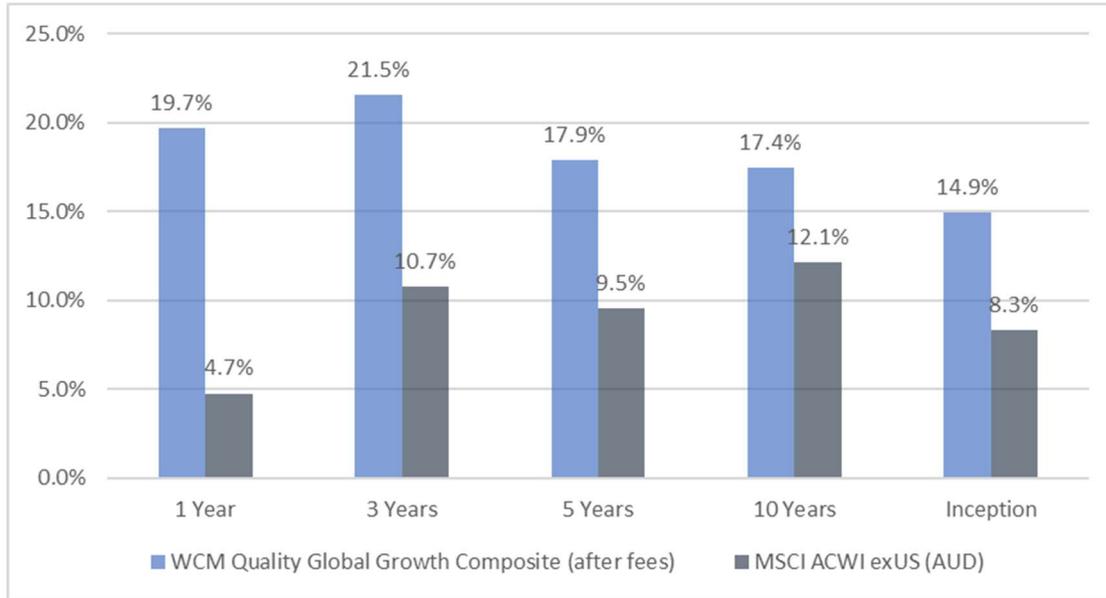
The WCM large cap strategy, WCM Quality Global Growth, delivered a return of 19.7% outperforming its benchmark by 14.9%. The WCM International Small Cap Growth strategy delivered a return of 33.4% outperforming its benchmark by 35.7%.

Contango Asset Management Limited and Controlled Entities

Managing Director’s Report For the Year Ended 30 June 2020

Large cap track record

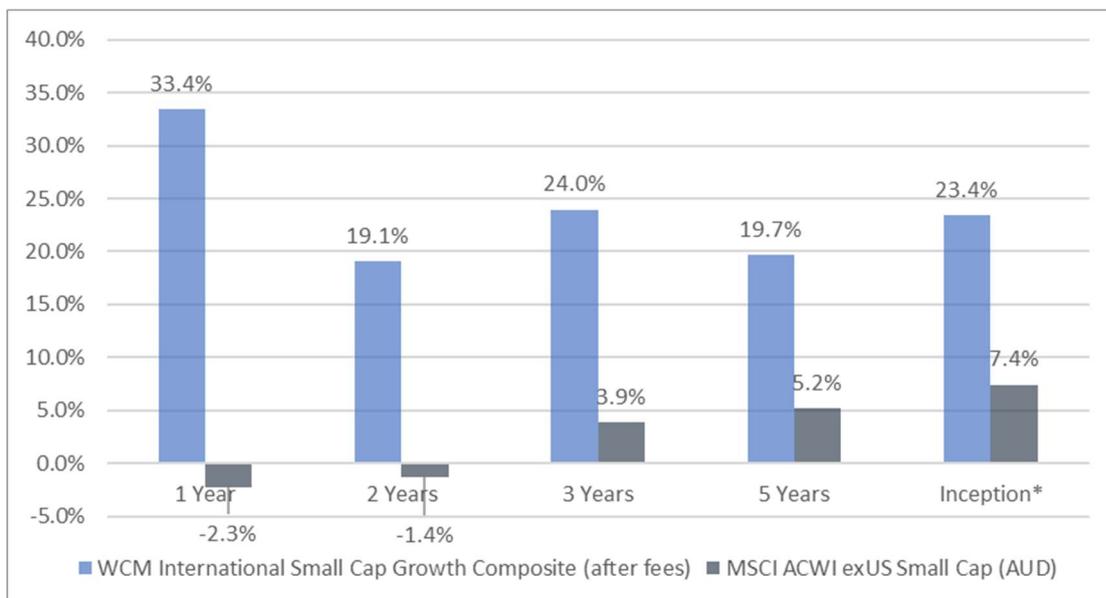
Annualised returns of the WCM Quality Global Growth Strategy versus its benchmark are shown below:



WCM applies the same investment principles, philosophy and execution approach of its WCM Quality Global Growth Composite (QGG), which was created 31 March 2008, to WQG, 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 QGG is the MSCI AWI ex-Australia Index. For further information please refer to contango.com.au.

Small cap track record

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



WCM applies the same investment principles, philosophy and execution approach of its International Small Cap Growth Composite (SIG), which was created 31 December 2014, to the WCM International Small Cap 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 SIG is the MSCI AWI ex-US Small Cap Index. For further information please refer to contango.com.au.

Contango Asset Management Limited and Controlled Entities

Managing Director's Report For the Year Ended 30 June 2020

WCM's superior investment performance has contributed to the Group growth in FUM and will be a key factor in driving future inflows. Since partnering with Contango in June 2017, WCM now has over \$500 million in retail FUM in Australia across its suite of retail and wholesale products.

The WCM Quality Global Growth strategy 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. Each investment product offers exposure to the same underlying portfolio of quality global companies managed by WCM.

WCM Global Growth Limited (WQG)

WQG is a global equity listed investment company. A significant contributor to the growth in the Group's FUM was the exercise and partial underwriting of WQG's listed options. A total of approximately \$49.7 million options was exercised by the expiry date on 24 June 2019. In addition, the successful partial underwriting of the options exercise resulted in further capital of \$46.1 million being raised in July 2019. The options exercise, together with the underwriting initiative, resulted in WQG raising additional capital of approximately \$96 million in total.

Over the past 12 months Contango, as investment manager of WQG, has made significant progress in reducing WQG's share price discount to NTA. Contango remains committed to closing the discount and to achieve this will continue to focus on capital management, shareholder engagement and investor communications.

WQG commenced the payment of dividends in August 2019 and recently introduced a dividend reinvestment plan. Contango undertook to partially fund WQG's attractive dividend reinvestment incentive for the final dividend to be paid in September 2020. This initiative has been well received by WQG's shareholders.

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

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

At 30 June 2020 FUM had reached over \$120 million growing by almost 90% over the period.

WCM Quality Global Growth Fund (Managed Fund) (WCMM)

WCMM was launched in June 2019 and is accessible to retail investors via several wrap platforms. Over the period, leading research houses initiated coverage on WCMM, providing 'Recommended' ratings. In November 2019, the fund was awarded a \$20 million mandate by Lifespan Financial Planning, Australia's fastest growing financial planning dealer group.

New Product Launches

A key strategic priority over the period was to launch new product in order to grow FUM and strengthen our relationship with WCM. In addition, the new products developed have been in response to our client's needs and requests.

WCM International Small Cap Growth Fund (Managed Fund)

In August 2019, the Group launched the WCM International Small Cap Growth Fund (Managed Fund) as a wholesale vehicle targeted at leading wealth managers and high net worth investors. At 30 June 2020, the fund had FUM of approximately \$40 million.

WCM Quality Global Growth Fund (Managed Fund) – (Hedged)

In June 2020 the Group launched the hedged version of the WCM Quality Global Growth Fund (Managed Fund). The vehicle has been seeded by a leading wealth manager and is being reviewed by a leading research house

Contango Asset Management Limited and Controlled Entities

Managing Director's Report For the Year Ended 30 June 2020

Australian Equity Income Update

The Group manages two equity income products that are targeted at the direct and intermediary market – Contango Income Generator Limited (CIE) and the Switzer Dividend Growth Fund (SWTZ). Whilst the current landscape has been challenging for value oriented, yield generating stocks, the Group's in-house investment team has continued to deliver on its objective of providing consistent and reliable income streams in both CIE and SWTZ.

Contango Income Generator Limited (CIE)

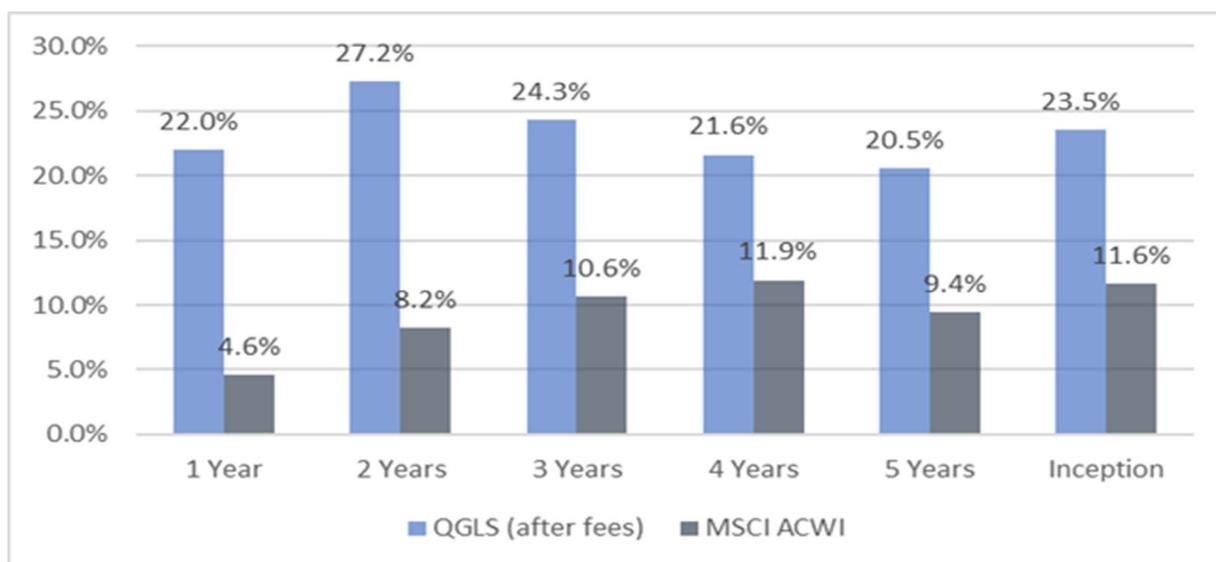
CIE is a listed investment company that targets higher yielding ASX listed securities outside the ASX top 20. During the year, the board of CIE announced a revised dividend policy and adopted a more flexible framework to help achieve its investment objectives. The Group remains committed to closing CIE's share price discount to NTA and will continue to focus on shareholder engagement and investor communications.

On 12 August 2020, CIE announced that, subject to shareholder approval at a general meeting to be held on 18 September 2020, it will adopt a new investment strategy of the Company's investment portfolio. If approved by the shareholders, the Company will move to a global long short strategy managed by WCM Investment Management.

The WCM Quality Global Growth Long Short Strategy

The WCM Quality Global Growth Long Short Equity Strategy Composite has, since inception on 30 June 2014, generated a return of 23.5% per annum, outperforming its benchmark, the MSCI All Country World Index by an annualised 11.9% per annum.

Annualised returns of the WCM Quality Global Growth Long Short Equity Strategy Composite (QGLS) versus its benchmark are shown below:



Data as at 30 June 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.

The WCM Quality Global Growth Long Short Strategy would be a new addition to the WCM product suite in Australia. It would only be accessible to retail investors, at the present time, via CIE. The proposed strategy would complement WCM Global Growth Limited (WQG), a successful large cap, long only listed investment company that was floated in June 2017. WQG's investment portfolio has generated an annualised return of 19.0% after fees since listing and that company is already rewarding shareholders with dividends that are now partially franked.

Contango Asset Management Limited and Controlled Entities

Managing Director's Report For the Year Ended 30 June 2020

Switzer Dividend Growth Fund (SWTZ)

SWTZ is an income-focused exchange traded managed fund with a mix of yield and quality companies. The product continues to resonate strongly with direct investors with net inflows of more than \$16 million over the reporting period. At 30 June 2020, SWTZ had 2,804 unitholders and FUM of approximately \$76 million.

The Year Ahead

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

Cost control will continue to be a key priority for management on the path to becoming operating cash flow positive. The Group now has an operating structure and business model that can grow FUM, build scale and lead to future profitability.

Yours Sincerely



Marty Switzer
Managing Director

Contango Asset Management Limited and Controlled Entities

Directors' Report For the Year Ended 30 June 2020

The Directors of Contango Asset Management Limited ('the Company') present the financial report for the Company and its controlled entities ('the Group') for the financial year ended 30 June 2020.

1. General information

Directors

The names of the Directors in office at any time during, or since the end of, the financial year are:

| Names | Position |
|-----------------|---|
| Roger Amos | Non-Executive Chairman |
| Martin Switzer | Executive Director |
| Nerida Campbell | Non-Executive Director |
| Ken Poutakidis | Non-Executive Director (Appointed 17 December 2019) |
| Charles Aitken | Non-Executive Director (Resigned 17 December 2019) |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on directors

The skills, experience and expertise of each person who is a Director of the Company during the financial year is provided below, together with details of the Company Secretary.

| | |
|-----------------------------|--|
| Roger Amos | Non-Executive Chairman |
| Qualifications | FCA, FAICD |
| Experience | Roger was appointed to the Board of Contango Asset Management Limited in June 2007 and became Chairman six months later. He was a former director of Austar United Communications Limited and Eneo Group Limited. Roger previously had a long and distinguished career with the international accounting firm KPMG, retiring in June 2006 after 25 years as a partner. |
| Special responsibilities | Chairman |
| Other current directorships | Roger is an independent director of REA Group Limited, 3P Learning Limited and HT & E Limited. |
| Martin Switzer | Executive Director |
| Qualifications | B. Econ (Hons) |
| Experience | Before his appointment as Managing Director and Chief Executive Officer, Martin was previously the Chief Operating Officer of Switzer Financial Group, a content and financial services business. He has been a host on the Sky News Business channel, as well as a consultant to the Australian Defence Force Financial Services Consumer Centre. |
| Special responsibilities | Managing Director and Chief Executive Officer |
| Other current directorships | Martin is currently a director of WCM Global Growth Limited and Contango Income Generator Limited |

Contango Asset Management Limited and Controlled Entities

Directors' Report

For the Year Ended 30 June 2020

| | |
|-----------------------------|--|
| Nerida Campbell | Non-Executive Director |
| Qualifications | B.Bus, CA, FINSIA, GAICD |
| Experience | Nerida was appointed to the board on 17 August 2018 following a 25-year career in the financial services industry. Most recently she acted as the Chief Operating Officer of Magellan Financial Group Limited, having also held the roles of Chief Financial Officer and Company Secretary. Prior to this, Nerida was the CFO of UBS AG Australia, and had roles at ABN Amro Australia Limited, Bankers Trust Australia Limited and Ernst and Whinney. She was also a member of the ASX Disciplinary Tribunal Panel. |
| Special responsibilities | Chair of Audit and Risk Committee |
| Other current directorships | None |
| Ken Poutakidis | Non-Executive Director (Appointed 17 December 2019) |
| Qualifications | B Bus |
| Experience | Ken is a corporate advisor and corporate finance executive with 20 years of finance experience. He is Managing Director and Founder of Avenue Advisory, a boutique advisory firm providing corporate finance and capital markets advice to emerging companies. He has previously served as Chairman of the Board and Non-Executive Director for numerous publicly listed ASX companies including NAOS Small Cap Opportunities Company Limited and Wellness and Beauty Solutions Limited. |
| Special responsibilities | Chair of Remuneration and Nomination Committee |
| Other current directorships | None |
| Charles Aitken | Non-Executive Director (Resigned 17 December 2019) |
| Experience | Charles is Chief Executive Officer and Chief Investment Officer of Aitken Investment Management Pty Ltd. He has more than 24 years of equity and futures market experience. He is an expert contributor to the Switzer Super Report, and previously to Alan Kohler's Eureka Report. He appears frequently on Australian and global financial media as an expert on Australian equities and global macroeconomic strategy. Charles has previously been a Director and head of Sydney Sales Trading for Citigroup (Australia), Executive Director and Partner of Southern Cross Equities Ltd and Executive Director and Board member of ASX listed Bell Financial Group Limited |
| Special Responsibilities | Chair of Remuneration and Nominations Committee |
| Other current directorships | None |

The following persons held the position of Company Secretary during the financial year:

Anthony Rule (Chief Financial Officer)

Anthony has over 16 years' experience in the financial services industry. During this time, he has held senior finance roles across both the publicly listed and private sectors including the Commonwealth Bank of Australia and most recently at Hunter Hall International where he held the role of Head of Finance and Operations. Anthony is also Company Secretary of ASX listed entities WCM Global Growth Limited and Contango Income Generator Limited.

Anthony holds a Bachelor of Business & Commerce, is a member of CPA Australia and a fellow of the Governance Institute of Australia.

Contango Asset Management Limited and Controlled Entities

Directors' Report

For the Year Ended 30 June 2020

2. Principal activities

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

3. Review of financial results and operations

The Group's total revenue for the year was \$4,933,000 (30 June 2019: \$7,346,000). The Group's net loss after tax for the year was \$1,163,000 (30 June 2019: net loss after tax \$5,209,000). Refer to Managing Director's Report on page 3 for further information, including details on the Group's results, strategy and future outlook.

4. Significant changes in state of affairs

Other than stated above in the Review of Financial Results and Operations there were no other significant changes in the state of affairs of the Group during the financial year.

5. Events after the reporting date

On 18 September 2020, Contango Income Generator Limited which is a Listed Investment Company managed by the Group will be holding an Extraordinary General Meeting (EGM) in relation to a proposed change of strategy for the Company. The results of the EGM do not impact the 30 June 2020 Financial Statements but may impact the results of the Group in future reporting periods.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year which significantly affect or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

6. Dividends paid or recommended

No dividends were paid or provided for during the financial year and no dividend is recommended in respect of the year (2019: \$nil).

7. Future developments and results

Refer to Managing Director's Report on page 3 for information on future developments and results.

8. Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

9. Meetings of Directors

The number of meetings of the Company's Board of Directors and its committees held during the year ended 30 June 2020, and the number of meetings attended by each Director are:

| | Directors' Meetings | | Audit and Risk Committee | | Remuneration and Nomination Committee | |
|-----------------------------|---------------------|------|--------------------------|------|---------------------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Roger Amos | 10 | 10 | 4 | 4 | 2 | 2 |
| Martin Switzer | 10 | 10 | 4 | 4 | 2 | 2 |
| Nerida Campbell | 10 | 10 | 4 | 4 | 2 | 2 |
| Ken Poutakidis ¹ | 7 | 7 | 2 | 2 | 1 | 1 |
| Charles Aitken ² | 4 | 4 | 2 | 2 | 1 | 1 |

Held: represents the number of meetings held during the time the Director held office and which the Director was eligible to attend.

¹ Appointed 17 December 2019, ² Resigned 17 December 2019

Contango Asset Management Limited and Controlled Entities

Directors' Report

For the Year Ended 30 June 2020

10. Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, the company secretaries, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability, costs and charges, as such disclosure is prohibited under the terms of the contract. To the extent permitted by law and professional regulations, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of their engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made by the Company to Ernst & Young in this respect during or since the financial year ended 30 June 2020.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

11. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all of those proceedings.

12. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 26 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 26 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved to ensure they do not adversely affect the integrity and objectivity of the auditor, and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

13. Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 16 of the financial report.

14. Rounding of amounts

The Company has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated).

15. Options

The number of options on issue at year end is 345,000 (2019: 345,000). Details of the options are set out at Note 18(a) to the financial statements.

Contango Asset Management Limited and Controlled Entities

Remuneration Report

For the Year Ended 30 June 2020

The Remuneration Report for the year ended 30 June 2020 outlines the Director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this Report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director of the parent company.

Remuneration policy

The Remuneration and Nomination Committee of the Board of Directors assists the Board to ensure that the Group:

- has a Board of Directors with the appropriate skills and experience to undertake its duties and responsibilities; and
- adopts appropriate remuneration policies and procedures which are designed to meet the needs of the Group and to enhance individual employee and corporate performance.

Non-Executive Directors' remuneration

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director. The terms of service for all Non-Executive Directors is 3 years. The Remuneration and Nomination Committee sets the framework for Non-Executive Director remuneration, after having sought advice from external advisors in relation to market trends for non-executive director remuneration.

Non-Executive Directors receive a fixed annual fee and compulsory superannuation contributions. They do not receive bonuses or incentive payments. The maximum annual aggregate total remuneration for Non-Executive Directors is \$350,000 which was approved by shareholders at the annual general meeting of the Company held on 29 November 2004.

Executive remuneration

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on the Group's executive and employee remuneration and incentive policies. The Group aims to reward its executives and employees based on their position and responsibility through a combination of fixed and variable components of remuneration.

- All executives and employees receive a salary package comprising a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and may also be eligible to receive performance incentives.
- Short term incentives may be paid each year to executives and employees as a reward for the achievement of annual performance objectives.
- Performance incentives paid as share based payments in the form of options or rights are intended to align the interests of executives with those of the Group's shareholders.

The Remuneration and Nomination Committee reviews executive salary packages annually by reference to the Group's performance, the individual executive's performance and comparable industry sector remuneration information.

The Group entered into an employment agreement with Martin Switzer as Managing Director on 22 August 2018 for no fixed term. With effect from 1 July 2018, Martin's total fixed remuneration is \$430,000 per annum plus superannuation. Under his employment agreement, Mr Switzer is entitled to incentive awards calculated by reference to his total fixed remuneration. Mr Switzer's incentive award maybe up to a maximum of 100% of his base salary comprising up to \$150,500 in cash (35%) and up to \$279,500 in rights over new shares in the Company (65%). 75% of the incentive award is dependent on achieving specified funds under management net inflows targets, and the remaining 25% of the incentive award is dependent on achieving other financial and non-financial metrics that have been set by the Board. Termination of the employment agreement can be made by either party with 6 months' notice (or payment in lieu), other than where employment is terminated for cause, in which case the Company can terminate with no notice period.

Contango Asset Management Limited and Controlled Entities

Remuneration Report

For the Year Ended 30 June 2020

The following table of benefits and payment details represents the components of the current year and comparative year remuneration expense for each member of the KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of benefits and payments

| Member | Year | Short-term benefits | | | Post-employment | | Long-term benefits | Share based payments | Total Remuneration |
|------------------------------|-------------|--------------------------|-------------|--------------------|----------------------|-------------|--------------------------|----------------------|--------------------|
| | | Cash Salary & Fees \$ | Bonus \$ | Non Monetary \$ | Superannuation \$ | Other \$ | Long Service Leave \$ | | |
| Directors | | | | | | | | | |
| Roger Amos | 2020 | 87,750 | - | - | 8,336 | - | - | - | 96,086 |
| | 2019 | 90,000 | - | - | 8,550 | - | - | - | 98,550 |
| Martin Switzer | 2020 | 412,497 | - | - | 21,003 | - | 5,440 | 8,600 | 447,540 |
| | 2019 | 440,316 | - | - | 20,531 | - | 1,430 | - | 462,277 |
| Nerida Campbell ¹ | 2020 | 48,750 | - | - | 4,631 | - | - | - | 53,381 |
| | 2019 | 43,727 | - | - | 4,154 | - | - | - | 47,881 |
| Ken Poutakidis ² | 2020 | 25,865 | - | - | 2,457 | - | - | - | 28,322 |
| | 2019 | - | - | - | - | - | - | - | - |
| Charles Aitken ³ | 2020 | 25,000 | - | - | 2,375 | - | - | - | 27,375 |
| | 2019 | 50,000 | - | - | 4,750 | - | - | - | 54,750 |
| Patricia Toh ⁴ | 2020 | - | - | - | - | - | - | - | - |
| | 2019 | 18,315 | - | - | 1,740 | - | - | - | 20,055 |
| Total | 2020 | 599,862 | - | - | 38,802 | - | 5,440 | 8,600 | 652,704 |
| | 2019 | 642,358 | - | - | 39,725 | - | 1,430 | - | 683,513 |

¹ Appointed on 17 August 2018

² Appointed on 17 December 2019

³ Resigned on 17 December 2019

⁴ Resigned on 12 November 2018

Contango Asset Management Limited and Controlled Entities

Remuneration Report For the Year Ended 30 June 2020

Securities received that are not performance related

No KMP of the Group are entitled to receive securities which are not performance-based linked as part of their remuneration package.

Description of shares issued as remuneration

There were no shares issued as remuneration to KMP during the year.

All options that were issued by the Company, entitle the holder to ordinary shares in Contango Asset Management Limited and Controlled Entities once exercised. On 17 December 2019, the Company issued 70,000 performance rights to the Managing Director. Please refer to Note 18(b) of the financial statements for further details. There were no options held by/issued to KMP during the year.

There were no loans advanced to KMP during the current or prior year.

Key management personnel shareholdings

The number of ordinary shares in the Company held by each KMP of the Group during the financial year is as follows:

| | Opening Balance 1 July 2019 | Net Acquisitions/ (Disposals) | Other changes | Closing Balance 30 June 2020 |
|-----------------------------|-----------------------------------|----------------------------------|----------------|------------------------------------|
| Directors | | | | |
| Roger Amos | 151,227 | 52,397 | - | 203,624 |
| Charles Aitken ¹ | 211,319 | - | (211,319) | - |
| Martin Switzer | 7,058,137 | - | - | 7,058,137 |
| Nerida Campbell | 35,000 | 60,000 | - | 95,000 |
| Ken Poutakidis ² | - | - | 566,666 | 566,666 |
| | 7,455,683 | 112,397 | 355,347 | 7,923,427 |

¹ Holding from 1 July 2019 to date of resignation (17 December 2019).

² Holding from date of appointment (17 December 2019) to 30 June 2020.

The Unitholdings held by each KMP and their related parties in the Group's Funds:

| | Opening Balance 1 July 2019 | Net Acquisitions/ (Disposals) | Closing Balance 30 June 2020 |
|---------------------------------------|--------------------------------|----------------------------------|---------------------------------|
| WCM Global Growth Ltd | | | |
| Martin Switzer | 10,000 | 10,000 | 20,000 |
| Roger Amos | - | 61,658 | 61,658 |
| Ken Poutakidis ¹ | - | 36,363 | 36,363 |
| WCM Quality Global Growth Fund | | | |
| Nerida Campbell | 5,000 | 15,000 | 20,000 |
| Martin Switzer | 15,300 | 2,000 | 17,300 |
| Contango Income Generator Ltd | | | |
| Martin Switzer | - | 72,000 | 72,000 |
| Switzer Dividend Growth Fund | | | |
| Martin Switzer | 58,281 | 3,637 | 61,918 |
| | 88,581 | 200,658 | 289,239 |

¹ Holding from date of appointment (17 December 2019) to 30 June 2020.

Contango Asset Management Limited and Controlled Entities

Remuneration Report For the Year Ended 30 June 2020

Performance Rights Granted as Remuneration

| | Balance at Beginning of Year | Grant Details | | | Exercised | | Lapsed | Balance at End of Year |
|----------------|------------------------------|---------------|--------|-------------------------|-----------|-------------|--------|------------------------|
| | | Issue Date | No. | Value \$ (Note 1) | No. | Value \$ | No. | |
| KMP | | | | | | | | No. |
| Martin Switzer | - | 17/12/2019 | 70,000 | 32,200 | - | - | - | 70,000 |
| | - | | 70,000 | 32,200 | - | - | - | 70,000 |

| | Balance at End of Year | Vested | | | Unvested |
|----------------|------------------------|-------------|-------------|----------------------|----------|
| | | Exercisable | Unexercised | Total at End of Year | |
| | No. | No. | No. | No. | No. |
| KMP | | | | | |
| Martin Switzer | 70,000 | - | - | - | 70,000 |
| | 70,000 | - | - | - | 70,000 |

Note 1 The fair value of performance rights granted as remuneration as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Description of Performance Rights Issued as Remuneration

Details of the performance rights granted as remuneration to those KMP listed in the previous table are as follows:

| Grant Date | Issuer | Entitlement on Exercise | Dates Exercisable | Exercise Price \$ | Value per Rights at Grant Date \$ | Amount Paid/ Payable by Recipient \$ |
|------------|--------|----------------------------|-------------------|----------------------|--------------------------------------|--|
| 17/12/2019 | CGA | 1:1 ordinary shares in CGA | 16 June 2021 | 0.00 | 0.460 | 0.00 |

Performance Rights values at grant date were determined using the Black-Scholes method.

The performance rights will automatically vest on 16 June 2021 (being 18 months from the issue date) subject to the employee remaining employed by the Company for the period up to and ending on that date.

End of Audited Remuneration Report

Contango Asset Management Limited and Controlled Entities

Directors' Report For the Year Ended 30 June 2020

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director:

A handwritten signature in black ink that reads "Roger Amos". The signature is written in a cursive style with a trailing flourish.

Roger Amos

Chairman

Dated this 27 day of August 2020



**Building a better
working world**

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

As lead auditor for the audit of the financial report of Contango Asset Management Limited for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Luke Slater".

Luke Slater
Partner
27 August 2020

Contango Asset Management Limited and Controlled Entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

| | | 2020 | 2019 |
|---|-------------|----------------|--------------|
| | | 000's | 000's |
| | Note | \$ | \$ |
| Revenue | | | |
| Investment management fees | 2(a) | 3,743 | 2,543 |
| Performance fees | 2(a) | 165 | 28 |
| Service fees | 2(a) | 500 | 542 |
| Interest income | | 6 | 38 |
| Gain on revaluation of SAM in step acquisition | | - | 3,792 |
| Effective interest income on NAML receivable | | 305 | 394 |
| Government grant income | | 207 | - |
| Other income | | 7 | 9 |
| Total revenue | | 4,933 | 7,346 |
| Expenses | | | |
| Employee benefits expense | | 2,892 | 2,959 |
| Professional services expense | | 437 | 812 |
| Direct Fund expenses | | 1,154 | 763 |
| Corporate and administrative expenses | 3(a) | 1,515 | 2,514 |
| Share of loss of SAM | | - | 308 |
| Depreciation and amortisation expense | 3(b) | 10 | 13 |
| Impairment loss on goodwill | 9 | - | 3,830 |
| Fair value adjustment – subordinated loans to SAM | | - | 133 |
| Finance costs | | 88 | 52 |
| Underwriting fees | | - | 1,171 |
| Total expenses | | 6,096 | 12,555 |
| Net loss before income tax | | (1,163) | (5,209) |
| Income tax credit | 4 | - | - |
| Net loss after income tax | | (1,163) | (5,209) |
| Other comprehensive loss, net of income tax | | | |
| Other comprehensive loss | | - | - |
| Total comprehensive loss attributable to members of the Company | | (1,163) | (5,209) |
| Loss per share attributable to the ordinary equity holders of the Company: | | | |
| | | Cents | Cents |
| Basic loss per share | 17 | (2.46) | (10.95) |
| Diluted loss per share | 17 | (2.46) | (10.95) |

The accompanying notes form part of these financial statements.

Contango Asset Management Limited and Controlled Entities

Consolidated Statement of Financial Position

As At 30 June 2020

| | Note | 2020 000's \$ | 2019 000's \$ |
|--------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 3,941 | 4,442 |
| Trade and other receivables | 6 | 2,737 | 2,273 |
| Other assets | 7 | 188 | 153 |
| Total current assets | | <u>6,866</u> | 6,868 |
| Non-Current assets | | | |
| Trade and other receivables | 6 | 1,576 | 2,955 |
| Other financial assets | 8 | 74 | 74 |
| Property, plant and equipment | | 22 | 15 |
| Goodwill | 9 | 4,806 | 4,806 |
| Total non-current assets | | <u>6,478</u> | 7,850 |
| Totals assets | | <u><u>13,344</u></u> | <u><u>14,718</u></u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 10 | 1,976 | 3,077 |
| Provisions | 11 | 290 | 213 |
| Total current liabilities | | <u>2,266</u> | 3,290 |
| Non-Current Liabilities | | | |
| Provisions | 11 | 41 | 21 |
| Borrowings | 12 | 1,252 | 502 |
| Total non-current liabilities | | <u>1,293</u> | 523 |
| Total Liabilities | | <u><u>3,559</u></u> | <u><u>3,813</u></u> |
| NET ASSETS | | <u><u>9,785</u></u> | <u><u>10,905</u></u> |
| EQUITY | | | |
| Issued capital | 13 | 149,839 | 149,839 |
| Reserves | 14 | 43 | - |
| Accumulated losses | 15 | (140,097) | (138,934) |
| Total Equity | | <u><u>9,785</u></u> | <u><u>10,905</u></u> |

The accompanying notes form part of these financial statements.

Contango Asset Management Limited and Controlled Entities

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

2019

| | Issued Capital | Share-based Payment Reserve | Accumulated Losses | Total |
|---|-------------------|--------------------------------|-----------------------|---------------|
| | 000's | 000's | 000's | 000's |
| | \$ | \$ | \$ | \$ |
| Equity - Balance at 1 July 2018 | 145,431 | 135 | (134,053) | 11,513 |
| Loss for the year | - | - | (5,209) | (5,209) |
| Total comprehensive income for the year | - | - | (5,209) | (5,209) |
| Transactions with owners in their capacity as owners | | | | |
| Share-based payments (employee share plans) | - | 193 | - | 193 |
| Transfers between equity | - | (328) | 328 | - |
| Issue of share capital, net of transaction costs | 4,408 | - | - | 4,408 |
| Balance at 30 June 2019 | 149,839 | - | (138,934) | 10,905 |

2020

| | Issued Capital | Share-based Payment Reserve | Accumulated Losses | Total |
|---|-------------------|--------------------------------|-----------------------|---------------|
| | 000's | 000's | 000's | 000's |
| | \$ | \$ | \$ | \$ |
| Equity - Balance at 1 July 2019 | 149,839 | - | (138,934) | 10,905 |
| Loss for the year | - | - | (1,163) | (1,163) |
| Total comprehensive loss for the year | - | - | (1,163) | 9,742 |
| Transactions with owners in their capacity as owners | | | | |
| Share-based payments | - | 43 | - | 43 |
| Transfers between equity | - | - | - | - |
| Issue of share capital, net of transaction costs | - | - | - | - |
| Balance at 30 June 2020 | 149,839 | 43 | (140,097) | 9,785 |

The accompanying notes form part of these financial statements.

Contango Asset Management Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

| | 2020 | 2019 |
|--|----------------------|----------------|
| | 000's | 000's |
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 6,698 | 4,960 |
| Receipts from governments and others | 137 | - |
| Payments to suppliers and employees | (6,810) | (6,123) |
| Underwriting fee paid | (1,212) | - |
| Interest received | 13 | 38 |
| Finance costs paid | (60) | (2) |
| Net cash outflow from operating activities | 27(a) (1,234) | (1,127) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (17) | (15) |
| Cash acquired on acquisition of SAM | - | 1,004 |
| Subordinated loan to SAM | - | (836) |
| Net cash (outflow)/inflow from investing activities | (17) | 153 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings | 27(c) 750 | - |
| Net cash inflow from financing activities | 750 | - |
| Net decrease in cash and cash equivalents held | (501) | (974) |
| Cash and cash equivalents at beginning of year | 4,442 | 5,416 |
| Cash and cash equivalents at end of financial year | 5 3,941 | 4,442 |

The accompanying notes form part of these financial statements.

Contango Asset Management Limited and Controlled Entities

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

1. Statement of Significant Accounting Policies

General Information

The consolidated financial statements and notes represent those of Contango Asset Management Limited as a group consisting of Contango Asset Management Limited ('the Company') and the entities it controlled at the end of, or during, the year ('the Group'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Contango Asset Management Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue, in accordance with a resolution of Directors, and signed on the same date as the Directors' Declaration.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on a going concern basis and under the historical cost convention except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The accounting policies have been consistently applied, unless otherwise stated.

New Standards adopted as at 1 July 2019

AASB 16 *Leases* became mandatorily effective on 1 July 2019. Accordingly, this standard applies for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 supersedes AASB 117 *Leases*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The Group has used the practical expedient exemption for leases that have a remaining lease term of less than 12 months as at 1 July 2019 and they have been accounted for in the same way as short-term leases.

The Group has leases for office space and office equipment. The Directors have decided to apply the modified approach upon adoption of AASB 16 and an assessment of the impact is summarised below:

| | \$'000 |
|---|---------------|
| Gross operating lease commitments at 30 June 2019 | 118 |
| Less short-term leases | (112) |
| Less low value leases | (6) |
| Lease liabilities recognised at 1 July 2019 | <u>-</u> |

There are no other new standards or pronouncements that impacted the Group that should be disclosed.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(a) Current vs non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period

Or

- Cash or cash equivalent except if it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent company, Contango Asset Management Limited, and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(c) Business combinations (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(d) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred
- ii. any non-controlling interest (determined under either the full goodwill or proportionate interest method), and
- iii. the acquisition date fair value of any previously held equity interest

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(e) Tax consolidation

Contango Asset Management Limited and its wholly owned subsidiaries are consolidated for tax purposes.

The Company and its wholly owned Australian subsidiaries have formed a tax-consolidated group with effect from 1 July 2003. The head entity within the group is Contango Asset Management Limited.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(e) Tax consolidation (continued)

The members of the tax-consolidated group are identified in Note 21. Tax expense/credit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(f) Income tax

The income tax expense (credit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(g) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

The depreciable amounts of all fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

| Class of Fixed Asset | Depreciation Rate |
|-------------------------------|-------------------|
| Furniture & Fittings | 20% |
| Office Computers and Machines | 40% |

(h) Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions to the instrument.

Financial instruments (except trade and other receivables) are initially recognised at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain any significant financing component or if the practical expedient was applied as specified in *AASB 15 Revenue from Contracts with Customers* para 63.

All financial assets and financial liabilities of the Group are subsequently measured at amortised cost.

i. Financial assets at amortised cost

All financial assets are subsequently classified and measured at amortised cost when both of the following criteria are met:

- the business model's objective is to hold the financial asset to collect contractual cash flows; and
- the contractual cash flows consist solely of payments of principal and interest.

Trade and other receivables with maturities of less than 12 months are initially recognised at their transaction price less lifetime expected losses and subsequently measured at amortised cost.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

ii. Financial liabilities at amortised cost

A financial liability is subsequently measured at amortised cost or fair value through profit and loss. The Group has only financial liabilities at amortised cost using the effective interest rate method.

iii. Impairment of financial assets

Impairment of financial assets is recognised based on the lifetime expected credit loss which is determined when the credit risk on a financial asset has increased significantly since initial recognition. In order to determine whether there has been a significant increase in credit risk since initial recognition, the entity compares the risk of default as at the reporting date with risk of default as at initial recognition using reasonable and supportable data, unless the financial asset is determined to have a low credit risk at the reporting date.

For trade and other receivables, the simplified approach is used, which requires recognition of a loss allowance based on the lifetime expected credit losses. As a practical expedient, the Group uses a provision matrix based on historical information and adjusted for forward looking estimates in order to determine the lifetime expected credit losses.

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

iv. Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(j) Impairment of assets

Goodwill and other assets that have an indefinite useful life are not amortised but are tested annually for impairment in accordance with *AASB 136 Impairment of Assets*. The depreciable amount of intangible assets with a finite life is amortised over its useful life. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For the purposes of impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

(k) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

Investment management fees and service fees represent revenue from contracts with customers. Revenue arising from investment management contracts relates to performance obligations satisfied over time and as such revenue is recognised on a progressive basis. An output method is used to recognise revenue from such contracts which involves reference to the amounts invoiced to the customer for the services rendered during the period. This is because management believes that the amounts invoiced directly reflect the value of output transferred to customer. In the case of amounts received in advance for services to be performed these are recognised as contract liabilities and are not reclassified to revenue until the performance obligation is satisfied.

Variable consideration may arise in some fund management contracts from performance fees. Performance fees may be earned where the funds' investment return after management fees exceeds the applicable benchmark. Performance fees are subject to a high-water mark, and a cap for each calculation period, with the exception of WCM International Small Cap Growth Fund (Managed Fund) which does not have a cap. An amount of the performance fees received are payable to the fund's investment manager. Variable consideration is estimated using either the expected value method or most likely amount method, as appropriate to the circumstances and recognised as revenue at the end of each reporting period until the contracts are settled.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(k) Revenue recognition (continued)

Government grant income

Government grant income is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. The Group presents government grant income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a gross basis and as "Government income."

Interest income

Interest income is recognised using the effective interest method.

(l) Goods and services tax (GST)

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

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Employee benefits

i. Short-term employee benefit obligations

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

ii. Long-term employee benefit obligations

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, periods of service and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents long-term employee benefit obligations as non-current liabilities in the Consolidated Statement of Financial Position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, in which case the obligations are presented as current provisions.

(n) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 7–60 days of recognition.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

(p) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Consolidated Statement of Financial Position date.

(q) Leases

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(q) Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *AASB 137 Provisions, Contingent Assets and Contingent Liabilities*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(q) Leases (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies *AASB 136* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy (as outlined in Note 1(f) of the financial statements).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, *AASB 16 Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Accounting policy for comparative period (30 June 2019)

The determination of whether an arrangement is or contains a lease is based on the substance of an arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right-to-use the asset

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. There were no finance leases during the year.

Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

(r) Share based payments

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. The fair value of shares issued where the shares are treated as an option is determined using the Black-Scholes valuation model. In respect of share-based payments that are dependent on the satisfaction of service conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group:

i. Impairment of goodwill

Goodwill acquired in a business combination is tested for impairment at least annually and when there is an indication that there may be impairment. 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 at 30 June 2020 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, using a percentage of funds under management (FUM) approach using a multiple of between 1.6% to 2%. (2019: 2.75% – 3.25%) The FUM multiple was derived from trading multiples of comparable companies and transaction multiples of recent comparable company acquisitions that have occurred in the market.

ii. Expected credit losses

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has considered the impact of COVID-19 on its financial assets carried at amortised cost, and concluded that it has not had a material impact.

(u) Comparative figures

When necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(v) Rounding of amounts

The amounts in the consolidated financial statements and Directors' Report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) 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 this legislative instrument applies.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Revenue

(a) Revenue from customer contracts

| | 2020 000's \$ | 2019 000's \$ |
|--|---------------------|---------------------|
| Investment management fees | 3,743 | 2,543 |
| Performance fees | 165 | 28 |
| Service fees | 500 | 542 |
| Total revenue from customer contracts | 4,408 | 3,113 |

3 Expenses

(a) Corporate and administrative expenses

| | 2020 000's \$ | 2019 000's \$ |
|--|---------------------|---------------------|
| Marketing and distribution expense | 224 | 402 |
| Audit fees | 211 | 264 |
| Director fees | 215 | 248 |
| Rental expense | 154 | 150 |
| Legal expenses | 91 | 163 |
| Listing and Registry expense | 99 | 128 |
| IT, office and communication expense | 55 | 107 |
| Share-based payment expense | 43 | 193 |
| Other expenses | 423 | 859 |
| Total corporate & administrative expenses | 1,515 | 2,514 |

(b) Depreciation and amortisation

| | | |
|--|-----------|-----------|
| Depreciation – plant and equipment | 10 | 13 |
| Total depreciation and amortisation | 10 | 13 |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements
For the Year Ended 30 June 2020

4 Income Tax Expense

| | 2020 000's \$ | 2019 000's \$ |
|--|--|--|
| (a) The major components of tax expense comprise: | | |
| Current tax | - | - |
| | <u>-</u> | <u>-</u> |

(b) Numerical reconciliation of income tax expense to prima facie tax payable:

| | | |
|--|----------------|----------|
| Profit/ (Loss) before income tax expense | (1,163) | (5,209) |
| Prima facie income tax (expense)/ benefit at the statutory rate of 27.5% (2019: 27.5%) | 320 | 1,432 |
| Effect of amounts which are non-deductible/assessable in calculating taxable income | | |
| - Non-allowable items | - | - |
| - Tax losses not recognised as deferred tax assets | (320) | (1,432) |
| - Recoupment of prior year losses not previously brought to account | - | - |
| Income (expense)/benefit reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income | <u>-</u> | <u>-</u> |

(c) Unrecognised deferred tax asset

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised:

| | 2020 000's \$ | 2019 000's \$ |
|--|--|--|
| Potential tax benefit at 26% (2019: 27.5%) | 3,165 | 2,867 |

Deferred tax assets have not been recognised to the extent that it is not probable that taxable profit will be available against which the losses can be utilised.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Cash and Cash Equivalents

| | 2020 | 2019 |
|--------------|-------|-------|
| | 000's | 000's |
| | \$ | \$ |
| Cash at bank | 3,941 | 4,442 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

6 Trade and Other Receivables

CURRENT

| | | |
|--|--------------|--------------|
| Trade receivables | 1,140 | 704 |
| Sundry debtors | 45 | 17 |
| NAML receivable ¹ | 1,552 | 1,552 |
| Total current trade and other receivables | 2,737 | 2,273 |

NON-CURRENT

| | | |
|--|--------------|--------------|
| NAML receivable ¹ | 1,450 | 2,805 |
| Other receivable | 126 | 150 |
| Total non-current trade and other receivables | 1,576 | 2,955 |
| Total trade and other receivables | 4,313 | 5,228 |

¹ The NAML receivable as at 30 June 2020 is the deferred consideration payable by NAOS Asset Management Limited (NAML) to Contango Funds Management Limited (CFML), a controlled entity of the Group, over a two-year period in accordance with the conditions of the arrangement. The NAML receivable has been measured at amortised cost using the effective interest method.

The ageing of trade receivables as at 30 June 2020 is less than 30 days (2019: less than 30 days). There are no trade receivables which are past due and impaired as at 30 June 2020 (2019: nil).

7 Other Assets

| | 2020 | 2019 |
|---------------------------|------------|------------|
| | 000's | 000's |
| | \$ | \$ |
| CURRENT | | |
| Prepayments | 188 | 153 |
| Total Other Assets | 188 | 153 |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Other Financial Assets

| | 2020 000's \$ | 2019 000's \$ |
|------------------------------------|---------------------|---------------------|
| NON-CURRENT | | |
| Other financial asset ¹ | 74 | 74 |
| | <u>74</u> | <u>74</u> |

¹Other financial assets are interest bearing deposits supporting bank guarantees for short term premises leases and are refunded upon termination of the lease contract.

9 Goodwill

| | 2020 000's \$ | 2019 000's \$ |
|-----------------------------|---------------------|---------------------|
| Goodwill | | |
| At cost | 8,636 | 8,636 |
| Accumulated impairment loss | (3,830) | (3,830) |
| | <u>4,806</u> | <u>4,806</u> |

(a) Movements in carrying amounts of goodwill and intangible assets

| | Goodwill 000's \$ |
|---|-------------------------|
| Opening value at 1 July 2018 | - |
| Acquired through business combination/acquisition of SAM (Switzer Asset Management) | 8,636 |
| Impairment loss | (3,830) |
| Closing value at 30 June 2019 | <u>4,806</u> |
| Opening value at 1 July 2019 | 4,806 |
| Impairment loss | - |
| Closing value at 30 June 2020 | <u>4,806</u> |

(b) Impairment

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 SAM has been allocated to the Group's sole cash-generating unit, being its investment management business.

In assessing impairment, the Directors at 30 June 2020 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, using a percentage of funds under management (FUM) approach using a multiple of between 1.6% to 2%. (2019: 2.75% – 3.25%) There has been no change in the valuation technique since prior year. The FUM multiple was derived from trading multiples of comparable companies and transaction multiples of recent comparable company acquisitions that have occurred in the market.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Trade and Other Payables

| | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| | 000's | 000's |
| | \$ | \$ |
| CURRENT | | |
| Trade payables | 286 | 1,898 |
| GST payable | 386 | 243 |
| Accrued expenses | 1,304 | 936 |
| Total Trade and Other Payables | 1,976 | 3,077 |

Refer to Note 19 for further information on financial risk management.

11 Provisions

| | 2020 | 2019 |
|-------------------------|--------------|--------------|
| | 000's | 000's |
| | \$ | \$ |
| CURRENT | | |
| Annual leave | 224 | 176 |
| Long service leave | 66 | 37 |
| | 290 | 213 |
| NON-CURRENT | | |
| Long service leave | 41 | 21 |
| Total Provisions | 331 | 234 |

Movement in carrying amounts

| | Employee |
|--|-----------------|
| | Benefits |
| | 000's |
| | \$ |
| Opening balance at 1 July 2018 | 147 |
| Additional provisions | 201 |
| Provisions used | (114) |
| Closing balance at 30 June 2019 | 234 |
| Opening balance at 1 July 2019 | 234 |
| Additional provisions | 281 |
| Provisions used | (184) |
| Closing balance at 30 June 2020 | 331 |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

12 Borrowings

| | 2020 000's \$ | 2019 000's \$ |
|---------------------------------|---------------------|---------------------|
| NON-CURRENT | | |
| Other unsecured loans | 1,252 | 502 |
| Total current borrowings | 1,252 | 502 |

Summary of borrowing arrangements

Borrowings at 30 June 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 annually; and
- \$750,000 unsecured loan repayable in three years at a fixed interest rate of 8% per annum, with interest paid in arrears annually.

13 Issued Capital

47,278,818 (2019: 47,278,818) Ordinary Shares

149,839 149,839

Movements in ordinary shares capital

| | Number of shares | 000's \$ |
|---|---------------------|----------------|
| Opening balance – 1 July 2018 | 41,908,361 | 145,431 |
| Issue of share capital, net of transactions costs | 7,166,667 | 4,408 |
| Cancellation of shares under buy-back | (1,796,210) | - |
| Closing balance – 30 June 2019 | 47,278,818 | 149,839 |
| Opening balance - 1 July 2019 | 47,278,818 | 149,839 |
| Issue of share capital, net of transactions costs | - | - |
| Closing balance – 30 June 2020 | 47,278,818 | 149,839 |

14 Reserves

| | 2020 000's \$ | 2019 000's \$ |
|---|---------------------|---------------------|
| Share-based payment reserve | | |
| Opening balance | - | 135 |
| Recognition of share-based payments | 43 | 193 |
| Cancellation of share options under buy-back | - | (328) |
| Closing balance at the end of the reporting period | 43 | - |

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

15 Accumulated Losses

| | 2020 000's \$ | 2019 000's \$ |
|--|---------------------|---------------------|
| Opening balance | (138,934) | (134,053) |
| Net profit/(loss) attributable to the shareholders | (1,163) | (5,209) |
| Transfer from share option reserve for share options cancelled in the year | - | 328 |
| Accumulated losses at the end of the reporting period | (140,097) | (138,934) |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

16 Dividends

No dividend has been declared or paid in respect to the financial year ended 30 June 2020 (2019: \$nil).

17 Earnings Per Share

Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | 2020 Cents | 2019 Cents |
|---|---------------|---------------|
| Basic loss per share | | |
| Total loss per share attributable to the ordinary equity holders of the company | (2.46) | (10.95) |
| Dilutive loss per share | | |
| Total loss per share attributable to the ordinary equity holders and potential ordinary equity holders of the company | (2.46) | (10.95) |

The following section reflects the income and share data used in the basic and diluted EPS computations:

(a) Earnings used to calculate basic and diluted EPS

| | 2020 000's \$ | 2019 000's \$ |
|--|---------------------|---------------------|
| Basic loss per share | | |
| Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share | (1,163) | (5,209) |
| Diluted loss per share | | |
| Loss attributable to the ordinary equity holders of the company used in calculating diluted loss per share | (1,163) | (5,209) |

The share options and performance rights per Note 18 are antidilutive because the company is in a loss position, and thus not included in the calculation of the diluted losses per share.

(b) Weighted average number of shares used as the denominator in calculation of earnings per share

| | 2020 No. | 2019 No. |
|---|-------------------|-------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 47,278,818 | 47,582,741 |
| - Pacific Point Partners Options | - | - |
| - Performance Rights | - | - |
| Weighted average number of ordinary shares adjusted for the effect of dilution | <u>47,278,818</u> | <u>47,582,741</u> |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

18 Share-based Payments

(a) Share options to Pacific Point Partners Limited

In September 2016 the Company issued 345,000 options to Pacific Point Partners Limited in partial consideration of it providing a loan to assist the Company in the acquisition of the Contango business. Each option entitles the holder to subscribe for one share. The options have an exercise price of \$0.60 each, were granted on 26 September 2016 and are exercisable at any time after the one-year anniversary of the grant date until the fifth-year anniversary of the grant date. The fair value at grant date was estimated using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options was estimated on the grant date using the following assumptions:

| | |
|-----------------------------|-------|
| Exercise price (\$) | 0.60 |
| Dividend yield (%) | 0.00 |
| Expected Volatility (%) | 25.00 |
| Risk free interest rate (%) | 1.70 |
| Fair value per option (\$) | 0.15 |

Movements during the year

| | 2020 | | 2019 | |
|-----------------------------------|---------|---------------------------------------|---------|---------------------------------------|
| | Number | Weighted Average Exercise Price \$ | Number | Weighted Average Exercise Price \$ |
| Options outstanding as at 1 July | 345,000 | 0.60 | 345,000 | 0.60 |
| Options outstanding as at 30 June | 345,000 | 0.60 | 345,000 | 0.60 |
| Options exercisable as at 30 June | 345,000 | | 345,000 | |

(b) 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 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 30 June 2020 reporting period was \$43,408.

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 |

Notes to the Financial Statements
For the Year Ended 30 June 2020

18 Share-based Payments (continued)

Movements during the year

| | 2020 | | 2019 | |
|---|---------|---------------------------------------|--------|---------------------------------------|
| | Number | Weighted Average Exercise Price \$ | Number | Weighted Average Exercise Price \$ |
| Performance rights outstanding as at 1 July | - | - | - | - |
| Granted during the year | 350,000 | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Performance rights outstanding as at 30 June | 350,000 | - | - | - |
| Performance rights exercisable as at 30 June | - | - | - | - |

19 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and aging analysis for credit risk.

Risk management is carried out by the Board of Directors.

Market risk

Foreign currency risk

The Group was not subject to any material foreign exchange risk in the 2020 and 2019 financial years.

Price risk

The Group was not subject to any material price risk in the 2020 and 2019 financial years, including equities securities price risk and commodities price risk.

Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents, the majority of which is held in various at-call deposits at variable rates and various short-term deposits with interest rates fixed for the terms of the deposit. During 2019 and 2020, the Group's cash at bank at variable rates was denominated in Australian dollars. As at the reporting date, the Group had the following variable rate cash at bank:

| | 2020 | | 2019 | |
|---|-------------------------------------|------------------------|-------------------------------------|------------------------|
| | Weighted average interest rate % | Balance \$ 000's | Weighted average interest rate % | Balance \$ 000's |
| Cash at bank | 0.23 | 3,941 | 0.96 | 4,442 |
| Net exposure to cash flow interest rate risk | - | 3,941 | - | 4,442 |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial Risk Management (continued)

Sensitivity

The following table illustrates sensitivities to the Group's exposure to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Profit 000's \$ | Equity 000's \$ |
|--------------------------------|-----------------------|-----------------------|
| Year ended 30 June 2020 | | |
| +/- 0.05% in interest rates | 2 | 2 |
| Year ended 30 June 2019 | | |
| +/- 0.05% in interest rates | 22 | 22 |

Credit risk

The Group has conducted a credit risk assessment on the NAML receivable (disclosed in Note 6) and has determined that the credit risk is minimal given NAML has been paying instalments in line with the agreement terms and there have been no liquidity issues identified affecting the recoverability of this balance.

The Group was not subject to any material credit risk in the 2020 financial year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves, including the availability of funding through committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the simple nature of the underlying businesses, the Group aims to simplify funding by minimising credit lines and investing surplus funds in very liquid deposits at call or short-term deposits.

Financial liability and financial asset maturity analysis

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period between the reporting date and the contractual maturity date. Cash flows realised from financial assets reflect management's expectations as to the timing of their realisation. Actual timing may differ from that disclosed. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial Risk Management (continued)

| | Within 1 year 000's \$ | 1 to 5 years 000's \$ | Over 5 years 000's \$ | Total 000's \$ |
|--|---------------------------------|--------------------------------|--------------------------------|----------------------|
| Group - 2019 | | | | |
| Financial liabilities due for payment | | | | |
| Trade and other payables (Note 10) | 3,077 | - | - | 3,077 |
| Borrowings (Note 12) | - | - | 502 | 502 |
| Total expected outflows | 3,077 | - | 502 | 3,579 |
| Financial assets - cash flows realisable | | | | |
| Cash and cash equivalents | 4,442 | - | - | 4,442 |
| Trade and other receivables (Note 6) | 2,273 | 2,955 | - | 5,228 |
| Other financial assets (Note 8) | 74 | - | - | 74 |
| Total anticipated inflow on financial instruments | 6,789 | 2,955 | - | 9,744 |
| Net inflow on financial instruments | 3,712 | 2,955 | (502) | 6,165 |
| Group - 2020 | | | | |
| Financial liabilities due for payment | | | | |
| Trade and other payables (Note 10) | 1,976 | - | - | 1,976 |
| Borrowings (Note 12) | - | 750 | 502 | 1,252 |
| Total expected outflows | 1,976 | 750 | 502 | 3,228 |
| Financial assets - cash flows realisable | | | | |
| Cash and cash equivalents | 3,941 | - | - | 3,941 |
| Trade and other receivables (Note 6) | 2,737 | 1,576 | - | 4,313 |
| Other financial assets (Note 8) | 74 | - | - | 74 |
| Total anticipated inflow on financial instruments | 6,752 | 1,576 | - | 8,328 |
| Net inflow / (outflow) on financial instruments | 4,776 | 826 | (502) | 5,100 |

Fair value

Fair value estimation

The fair values of the Group's financial assets and financial liabilities are presented in the following table and can be compared with their carrying values as presented in the Consolidated Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted, and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial Risk Management (continued)

| | 2020 | | 2019 | |
|------------------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | Carrying Value 000's \$ | Fair value 000's \$ | Carrying Value 000's \$ | Fair value 000's \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 3,941 | 3,941 | 4,442 | 4,442 |
| Trade and other receivables | 4,313 | 4,313 | 5,235 | 5,235 |
| Other financial assets | 74 | 74 | 74 | 74 |
| Total financial assets | 8,328 | 8,328 | 9,751 | 9,751 |
| Financial liabilities | | | | |
| Trade and other payables | 1,976 | 1,976 | 3,077 | 3,077 |
| Borrowings | 1,252 | 1,396 | 502 | 502 |
| Total financial liabilities | 3,228 | 3,912 | 3,579 | 3,579 |
| Capital risk management | | | | |

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As the Group incurs net cash outflows from operations and has large accumulated losses, the primary method used to adjust its capital structure is the issue of new shares and borrowings. The Group has determined that where possible it will issue ordinary shares, rather than issue hybrid forms of securities, so as to avoid any restrictions on its use of capital or commitment to interest repayments. There are also regulatory capital requirements of the wholly owned subsidiary, SAM which the Group considers in managing its overall capital requirements.

20 Parent Entity

Set out below is the supplementary information about the parent entity.

| | 2020 000's \$ | 2019 000's \$ |
|---|---------------------|---------------------|
| Statement of Financial Position | | |
| Current assets | 5,043 | 6,321 |
| Non-current assets | 3,097 | 3,247 |
| Total Assets | 8,140 | 9,568 |
| Current liabilities | 1,165 | 1,489 |
| Non-current liabilities | - | - |
| Total Liabilities | 1,165 | 1,489 |
| Issued capital | 149,839 | 149,839 |
| Accumulated losses | (142,864) | (141,760) |
| Total Equity | 6,975 | 8,079 |
| Statement of Profit or Loss and Other Comprehensive Income | | |
| Total loss for the year | (1,053) | (2,864) |
| Total other comprehensive loss | (96) | - |
| Total comprehensive loss | (1,149) | (2,864) |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Parent Entity (continued)

Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2020 (2019: nil).

Contractual commitments

The parent entity did not have any commitments as at 30 June 2020 (2019: nil).

21 Interests in Subsidiaries and Controlled Entities

Composition of the Group

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Company. The proportion of ownership interests held equals the voting rights held by the Company. Each subsidiary's principal place of business is also its country of incorporation.

| | Principal place of business / Country of Incorporation | Percentage Owned (%) 2020 | Percentage Owned (%) 2019 |
|---|--|---------------------------------|---------------------------------|
| Subsidiaries: | | | |
| CAM SPV Pty Limited | Australia | 100 | 100 |
| 2735 CSM Holdings Pty Limited | Australia | 100 | 100 |
| Contango Funds Management Limited | Australia | 100 | 100 |
| Contango International Management Pty Limited | Australia | 100 | 100 |
| Contango Group Services Pty Limited | Australia | 100 | 100 |
| Switzer Asset Management Limited | Australia | 100 | 100 |

22 Related Parties

i. Entities exercising control over the Group:

The ultimate parent entity, which exercises control over the Group, is Contango Asset Management Limited which is incorporated in Australia and owns 100% of the Controlled Entities.

ii. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 23 and the Remuneration Report in the Directors' Report.

iii. Subsidiaries and Controlled Entities

Interests in subsidiaries and controlled entities are set out in Note 21.

(iv. Related party transactions

The Group has an existing marketing and distribution agreement with Switzer Financial Group Pty Limited and paid \$150,000 (2019: \$100,000) for this service during the period. There are no amounts outstanding at 30 June 2020.

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

23 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2020 | 2019 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 599,862 | 642,358 |
| Post-employment benefits | 38,802 | 39,725 |
| Other long-term benefits | 5,440 | 1,430 |
| Termination benefits | - | - |
| Share-based payments | 8,600 | - |
| | <u>652,704</u> | <u>683,513</u> |

24 Contingent Liabilities

The Group has no material contingencies at 30 June 2020 (2019: nil).

25 Segment Information

The Group has a sole operating segment of funds management. 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 Consolidated Statement of Profit & Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. The CODM has been identified as the Managing Director and Chief Executive Director.

26 Auditors' Remuneration

| | 2020 | 2019 |
|---|------------|------------|
| | 000's | 000's |
| Audit and review of financial statements | \$ | \$ |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 193 | 231 |
| Total audit and review of financial statements | <u>193</u> | <u>231</u> |
| Other Statutory assurance services (AFSL) | 10 | 20 |
| Non-Audit Services | | |
| - Taxation compliance advice | 26 | 17 |
| Total non-audit services | <u>26</u> | <u>17</u> |
| Total services provided by Ernst & Young | <u>229</u> | <u>268</u> |

Contango Asset Management Limited and Controlled Entities

Notes to the Financial Statements

For the Year Ended 30 June 2020

27 Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

| | 2020 | 2019 |
|---|----------------|--------------|
| | 000's | 000's |
| | \$ | \$ |
| Loss for the year after income tax | (1,163) | (5,209) |
| Non-cash flows in profit: | | |
| - impairment loss | - | 3,830 |
| - depreciation and amortisation | 10 | 13 |
| - employee share option expense | 43 | 193 |
| - (gain)/loss on revaluation of investment in associate | - | (3,792) |
| - fair value adjustment- subordinated loans to SAM | - | (133) |
| - effective settlement of SAM loan on acquisition | - | 963 |
| - effective interest on NAML receivable | (305) | (394) |
| - other non-cash movements | - | (8) |
| - share of loss of SAM | - | 308 |
| - accrued government grant income | (95) | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| - decrease in trade and other receivables | 1,290 | 1,023 |
| - (increase)/decrease in other assets | (35) | 68 |
| - increase/(decrease) in trade and other payables | (1,076) | 1,924 |
| - increase in provisions | 97 | 87 |
| Cash flow from operations | (1,234) | (1,127) |

(b) Loan facilities

| | 2020 | 2019 |
|-------------------|--------------|--------------|
| | 000's | 000's |
| | \$ | \$ |
| Amount unutilised | - | - |
| Amount utilised | 1,252 | 502 |
| | 1,252 | 502 |

Notes to the Financial Statements
For the Year Ended 30 June 2020

27 Cash Flow Information

(c) **Reconciliation of Liabilities arising from Financing Activities**

| | 1 July 2019 000's \$ | Cash flows 000's \$ | Foreign exchange movement 000's \$ | Fair value changes 000's \$ | Other 000's \$ | 30 June 2020 000's \$ |
|--|----------------------------|---------------------------|--|--------------------------------------|----------------------|-----------------------------|
| Long-term borrowings | 502 | 750 | - | - | - | 1,252 |
| Total liabilities from financing activities | 502 | 750 | - | - | - | 1,252 |

| | 1 July 2018 000's \$ | Cash flows 000's \$ | Foreign exchange movement 000's \$ | Fair value changes 000's \$ | Other 000's \$ | 30 June 2019 000's \$ |
|--|----------------------------|---------------------------|--|--------------------------------------|----------------------|-----------------------------|
| Short-term borrowings | - | - | - | - | 502 | 502 |
| Total liabilities from financing activities | - | - | - | - | 502 | 502 |

28 Events Occurring After the Reporting Date

On 18 September 2020, Contango Income Generator Limited which is a Listed Investment Company managed by the Group will be holding an Extraordinary General Meeting (EGM) in relation to a proposed change of strategy for the Company.

The results of the EGM do not impact the 30 June 2020 Financial Statements but may impact the results of the Group in future reporting periods.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affect or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

29 Company Details

The registered office of the Company is:
Contango Asset Management Limited
Level 6
10 Spring Street
Sydney NSW 2000

Contango Asset Management Limited and Controlled Entities

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in Note 1 to the financial statements under the heading Basis of Preparation, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and
 - b. give a true and fair view of the financial position and performance of the consolidated group
2. the Managing Director and Chief Financial Officer have given the declarations required by *Section 295A* that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with *section 286 of the Corporations Act 2001*
 - b. the financial statements and notes for the financial year comply with the Accounting Standards, and
 - c. the financial statements and notes for the financial year give a true and fair view, and
3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director:



Roger Amos

Chairman

Dated this 27 day of August 2020



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Contango Asset Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key audit matter

How our audit addressed the key audit matter

Goodwill impairment testing

On 13 September 2018 the Group acquired the remaining 53.75% equity interest in Switzer Asset Management Limited (SAML) which generated a significant goodwill asset. As at 30 June 2020, the carrying value of goodwill was \$4.8m.

As described in Note 9, the Group has performed an annual impairment test to assess the carrying value of goodwill as at 30 June 2020.

This was a key audit matter due to the judgements applied in the impairment testing.

Our audit procedures included the following:

- ▶ Involved our valuation specialists to assess the key assumptions used in the impairment analysis, as well as test the mathematical accuracy of the impairment model.
- ▶ Evaluated the sensitivity analysis performed by the Group focusing on where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.
- ▶ Benchmarked the implied valuations to comparable company valuation multiples.
- ▶ Assessed the adequacy of the disclosures associated with the goodwill impairment assessment in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Contango Asset Management Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.



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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
27 August 2020

Contango Asset Management Limited and Controlled Entities

Additional Information for Listed Public Companies

30 June 2020

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 July 2020.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

| | Ordinary shares | |
|---|-----------------|--------------------------|
| | Number held | % of total shares issued |
| NAOS Asset Management Limited | 11,157,699 | 23.60 |
| Switzer Financial Group Pty Limited | 7,378,251 | 15.03 |
| Pacific Point Partners Limited, Robert Rankin | 5,613,282 | 13.39 |

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders

Analysis of the number of shareholders by size of holding at 31 July 2020 is presented below:

| Holding | Number of Holders | Number of Ordinary Shares | Percentage of Shares on Issue % |
|---|-------------------|---------------------------|---------------------------------|
| 1 – 1,000 | 89 | 15,664 | 0.03 |
| 1,001 – 5,000 | 118 | 310,182 | 0.66 |
| 5,001 – 10,000 | 61 | 465,413 | 0.98 |
| 10,001 – 100,000 | 200 | 7,439,374 | 15.74 |
| 100,001 and over | 48 | 39,048,185 | 82.59 |
| Total | 516 | 47,278,818 | 100 |
| Number of holders with less than a marketable parcel of ordinary shares | 103 | 32,429 | 0.07 |

Contango Asset Management Limited and Controlled Entities

Additional Information for Listed Public Companies

30 June 2020

Twenty largest shareholders

The names of the 20 largest shareholders of the Company as at 31 July 2020 are listed below:

| Holder Name | Number of Ordinary Shares | Percentage of Shares on Issue % |
|---|---------------------------|---------------------------------|
| NATIONAL NOMINEES LIMITED | 11,284,499 | 23.87 |
| SWITZER FINANCIAL GROUP PTY LTD | 6,166,668 | 13.04 |
| PACIFIC POINT PARTNERS LIMITED | 4,224,393 | 8.94 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,556,058 | 3.29 |
| KEISER SHIPPING & TRANSPORT PTY LTD | 1,397,728 | 2.96 |
| PACIFIC POINT PARTNERS LIMITED | 1,388,889 | 2.94 |
| GOLD TIGER INVESTMENTS PTY LTD | 1,264,479 | 2.67 |
| MR ROBERT DARIUS FRASER | 1,250,000 | 2.64 |
| WILLYAMA ASSET MANAGEMENT PTY LTD | 665,276 | 1.41 |
| TC CORPORATE P/L | 600,000 | 1.27 |
| MRS TRACY FRASER | 579,444 | 1.23 |
| MR PETER WILLIAM SWITZER + MRS MAUREEN ELIZABETH SWITZER+ MR MARTIN FRANCIS SWITZER | 576,817 | 1.22 |
| HARVEY BLACKNEY SUPERANNUATION PTY LTD | 541,000 | 1.14 |
| BODIAM CAPITAL PTY LTD | 500,000 | 1.06 |
| ROBERT NAIRN PTY LTD | 500,000 | 1.06 |
| MRS TRACY FRASER | 499,443 | 1.06 |
| SAGRADA FAMILIA HOLDINGS PTY LTD | 483,333 | 1.02 |
| MR SHAWN REX BURNS | 333,333 | 0.71 |
| KEISER INVESTMENTS PTY LTD | 333,333 | 0.71 |
| CALAMA HOLDINGS PTY LTD | 332,531 | 0.7 |
| Total shares held by the twenty largest shareholders | 34,477,224 | 72.94 |
| Total ordinary shares on issue | 47,278,818 | 100.00 |

Unissued equity securities

Options issued.

Securities exchange

The Company is listed on the Australian Securities Exchange (ASX code: CGA)