Contango Asset Management Limited
and Controlled Entities

ACN 080 277 998

APPENDIX 4D
HALF YEAR REPORT

PERIOD ENDED 31 DECEMBER 2018

Results for announcement to the market

Reporting Period: 1 July 2018 to 31 December 2018

Previous corresponding period: 1 July 2017 to 31 December 2017

Results 31 December 2018		**%**		**31 Dec 18 $'000**	**31 Dec 17 $'000**
Revenue from ordinary activities[1]	Up	126	to	5,394	2,384
Profit/(Loss) from ordinary activities after tax attributable to members	Up	46	to	(1,969)	(3,614)
Net Profit/(Loss) for the period attributable to members	Up	46	to	(1,969)	(3,614)
[1]Revenue for the half-year includes $3.79 million relating to the gain on revaluation of Switzer Asset Management Limited in step acquisition.					

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

Record date for determining entitlements to the interim dividend	N/A

NTA Backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (cents)	18.74 cents	9.23 cents

Gain of control of subsidiaries	Switzer Asset Management Limited (ABN 26 123 611 978)
Date of gain of control	13 September 2018
Loss of control of subsidiaries	N/A

Details of associates and joint venture entities	Current period	Previous corresponding period
Switzer Asset Management Limited	100%	46.25%

Group's share of associates and joint venture entity's activities		
	Current period	Previous corresponding period
	$'000	**$'000**
Net loss from ordinary activities	(620)	(32)
Income tax on ordinary activities for the period	-	10
Net loss from ordinary activities after tax for the period	(620)	(22)
Share of net loss after tax of associates and joint venture entity's activities for the period	(308)	(10)

The share of net loss of Switzer Asset Management Limited relates to the period which it was an associate, being from 1 July 2018 to 13 September 2018, the date of full acquisition.

This information should be read in conjunction with the 2018 Annual Financial Report of Contango Asset Management Limited (ASX code: CGA) and its controlled entities and any public announcements made in the period by Contango Asset Management Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2018.

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

Contents

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Contango Asset Management Limited (ASX Code: CGA) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE INFORMATION

Contango Asset Management Limited
ABN 56 080 277 998

This financial report covers the consolidated entity comprising Contango Asset Management Limited and its controlled entities (the "Group") for the half-year ended 31 December 2018.

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

DIRECTORS

Roger Amos (Chairman)
Martin Switzer (Chief Executive Officer)
Charles Aitken
Patricia Toh (Resigned 12 November 2018)
Nerida Campbell (Appointed 17 August 2018)

COMPANY SECRETARY

Hari Morfis (Resigned 22 November 2018)
Jonathan Swain (Appointed 22 November 2018)

REGISTERED OFFICE

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AUDITORS

Ernst and Young
8 Exhibition St
MELBOURNE VIC 3000

SHARE REGISTER

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

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STOCK EXCHANGE LISTINGS

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

The Directors of Contango Asset Management Limited (the "Company") present their report on the Company and its controlled entities ("the Consolidated Entity" or "the Group") for the half-year to 31 December 2018.

Directors

The following persons were directors of Contango Asset Management Limited during the whole of the half-year to 31 December 2018 and up to the date of this report:
Roger Amos (Chairman)
Martin Switzer (Chief Executive Officer)
Charles Aitken

The following directors held office for part of the half year as indicated below:
Nerida Campbell (Appointed 17 August 2018)
Patricia Toh (Resigned 12 November 2018)

Principal activities

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

REVIEW AND RESULTS OF OPERATIONS

Results

The Group's total revenue for the half-year to 31 December 2018 was $5,394,000 (31 December 2017: $2,384,000). The Group's net loss after tax for the half-year to 31 December 2018 was $1,969,000 (31 December 2017: net loss after tax $3,614,000).

Over the reporting period the key areas of focus for the business were to continue the transition from manufacturer to marketing and distribution platform, grow the existing product set, build operational scale, revise the cost structure and launch new product. Cost management will continue to be an ongoing focus of the business.

On 13 September 2018, the Company acquired the remaining 53.75% interest in Switzer Asset Management Limited (SAM) making it a wholly owned subsidiary. The acquisition of SAM has more closely aligned the distribution, marketing, investment expertise, portfolio management and operational experience of the Group and Switzer Financial Group (SFG), and an injection of working capital into SAM has supported an acceleration of the Group's retail client growth strategy. Through the full acquisition of SAM the Group has obtained:

- control of a boutique retail licensed investment manager and responsible entity,
- use of the respected Switzer name,
- access to an extensive retail and independent financial adviser (IFA) network,
- access to a network of over 300,000 direct investors leveraged through a unique multi-media platform, and
- a pipeline of new retail funds including the WCM Quality Global Growth Fund (Quoted Managed Fund)

REVIEW AND RESULTS OF OPERATIONS CONTINUED

The effect of the SAM acquisition on the Group's results for the half-year ended 31 December 2018 was to increase the operating loss before tax by $170,000.

	$ 000s
Gain on revaluation of SAM in step acquisition	3,793
Impairment loss on goodwill	(3,830)
Fair value adjustment-subordinated loans	(133)
	(170)

The Group launched the WCM Quality Global Growth Fund (Quoted Managed Fund) (ASX code: WCMQ), an open-ended exchange traded managed fund which invests in global equities primarily in high growth consumer, technology and healthcare sectors. WCMQ commenced trading from 3 September 2018. As at 20 February 2019 WCMQ had funds under management (FUM) of approximately $56m.

Despite volatile equity markets the Group's FUM has grown by 16% to approximately $368m as at 20 February 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the half-year ended 31 December 2018 other than those matters stated in this report and the half-year financial report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The directors are not aware of any matter or circumstance that has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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

Roger Amos
Chairman

Sydney
22 February 2019

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

As lead auditor for the review of Contango Asset Management Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
22 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

	Notes	Consolidated Half-year 31 December 2018 $'000	31 December 2017 $'000
Revenue			
Investment management fees		**1,091**	1,912
Service fees		**292**	459
Interest income		**21**	13
Gain on revaluation of SAM in step acquisition	6	**3,793**	-
Effective interest income on NAML receivable		**193**	-
Other income		**4**	-
Total revenue		**5,394**	2,384
Expenses			
Employee benefit expense		**1,351**	2,618
Professional services expense		**280**	404
Operations expense		**255**	394
Corporate & administration expenses	3	**1,177**	1,950
Share of loss of SAM		**308**	10
Depreciation and amortisation expense		**7**	258
Impairment loss on goodwill	5	**3,830**	676
Fair value adjustment - subordinated loans to SAM	9	**133**	-
Finance costs		**22**	8
Total expenses		**7,363**	6,318
Net loss before income tax		**(1,969)**	(3,934)
Income tax credit	7	**-**	320
Net loss after income tax		**(1,969)**	(3,614)
Other comprehensive income/(loss), net of income tax			
Other comprehensive income		**-**	-
Total comprehensive loss attributable to members of the Company		**(1,969)**	(3,614)

Earnings per share attributable to the ordinary equity holders of the Company:	**Cents**	**Cents**
Basic earnings per share	(4.27)¢	(7.85)¢
Diluted earnings per share	(4.27)¢	(7.85)¢

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

		Consolidated Half-year	
		31 December 2018 $'000	**30 June 2018 $'000**
ASSETS			
Current assets			
Cash and cash equivalents		**4,229**	5,416
Trade and other receivables	4	**2,174**	2,030
Other assets		**377**	221
Total current assets		**6,780**	7,667
Non-Current assets			
Trade and other receivables	4	**4,361**	4,221
Investment in SAM		**-**	308
Other financial assets		**74**	604
Goodwill and intangible assets	5,6	**4,806**	-
Property, plant and equipment		**7**	13
Total non-current assets		**9,248**	5,146
Total assets		**16,028**	12,813
LIABILITIES			
Current liabilities			
Trade and other payables		**1,329**	1,153
Borrowings		**502**	-
Provisions		**222**	147
Total current liabilities		**2,053**	1,300
Total non-current liabilities		**-**	-
Total liabilities		**2,053**	1,300
Net assets		**13,975**	11,513
EQUITY			
Issued capital	8	**149,839**	145,431
Reserves		**158**	135
Accumulated losses		**(136,022)**	(134,053)
Total equity		**13,975**	11,513

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2018

	Issued Capital	Share Option Reserves	Accumulated Losses	Total
	$'000	**$'000**	**$'000**	**$'000**
Equity - Balance at 1 July 2017	140,777	267	(137,515)	3,529
Loss for the period	-	-	(3,614)	(3,614)
Total comprehensive income / (loss)	-	-	(3,614)	(3,614)
Issue of share capital net of transaction costs	4,654	-	-	4,654
Share based payment (Employee share plans)	-	(155)	-	(155)
Balance at 31 December 2017	145,431	112	(141,129)	4,414
Equity - Balance at 1 July 2018	**145,431**	**135**	**(134,053)**	**11,513**
Loss for the period	**-**	**-**	**(1,969)**	**(1,969)**
Total comprehensive income / (loss)	-	-	(1,969)	**(1,969)**
Issue of share capital net of transaction costs	4,408	-	-	**4,408**
Share based payment (Employee share plans)	-	23	-	**23**
Balance at 31 December 2018	**149,839**	**158**	**(136,022)**	**13,975**

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

CONDENSED CONSOLIDATED STATEMNT OF CASH FLOWS
for the half-year ended 31 December 2018

	Note	Consolidated Half-year 31 December 2018 $'000	31 December 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,397**	3,725
Payments to suppliers and employees		**(2,751)**	(5,470)
Interest received		**21**	13
Finance costs paid		**(22)**	(18)
Net cash outflow from operating activities		**(1,355)**	(1,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from assignment of CTN mandate		**-**	2,000
Purchase of property, plant and equipment		**-**	(8)
Cash acquired on acquisition of SAM	6	**1,004**	-
Subordinated loan (to)/from SAM	9	**(836)**	(100)
Net cash inflow from investing activities		**168**	1,892
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	8	**-**	5,000
Payment for transaction costs to issue shares		**-**	(346)
Repayment of borrowings		**-**	(750)
Net cash (outflow)/inflow from financing activities		**-**	3,904
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,187)**	4,046
Cash and cash equivalents at the beginning of period		**5,416**	819
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**4,229**	4,865

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

These general purpose interim financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments (2014)* became mandatorily effective on 1 July 2018. Accordingly, these standards apply 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.

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

(b) Comparatives

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

New standards adopted as at 1 July 2018

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *'Financial Instruments: Recognition and Measurement'*. The new Standard makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. The new standard applied as at 1 July 2018.

(c) Changes in Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became effective for annual reporting periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the half-year ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

i) Impact of adoption of AASB 15 *Revenue from Contracts with Customers*

New accounting standard for revenue is applicable from 1 July 2018

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 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. 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.

The Group's adoption of AASB 15 has not had a material effect on the Group.

ii) Impact of adoption of AASB 9 *Financial Instruments*

The new accounting standard for financial instruments is applicable from 1 July 2018.

Financial assets at amortised cost

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

- the business model's objective is 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.

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.

Any change in expected credit losses between the previous reporting period and the current reporting period is recognised as an impairment gain or loss in profit or loss.

The Group's adoption of AASB 9 has not had a material effect on the Group.

Table 1: Changes in classification and measurement on transition to AASB 9

Financial instrument as at 30/6/18	AASB 139 measurement	AASB 9 classification	Carrying amount as at 30/6/18 under AASB 139	Carrying amount as at 1/7/18 under AASB 9
Trade and other receivables	Amortised cost	Amortised cost	$627,000	$627,000
NAML receivable	Amortised cost	Amortised cost	$5,623,000	$5,623,000
Term deposits	Amortised cost	Amortised cost	$345,000	$345,000
Subordinated loans	Amortised cost	Amortised cost	$259,000	$259,000
Trade and other payables	Amortised cost	Amortised cost	$1,153,000	$1,153,000

NOTE 2: DIVIDENDS

No interim dividend has been declared or paid in respect to the half-year ended 31 December 2018 (31 December 2017: nil).

NOTE 3: RESULTS FOR THE PERIOD

	Consolidated Half-year	
	31 December 2018 $'000	**31 December 2017 $'000**
The following items are relevant in explaining the financial performance for the half-year period:		
Corporate and administration expense:		
Marketing and distribution expense	**(213)**	(309)
Audit fees	**(150)**	(180)
Director fees	**(132)**	(148)
Rental expense	**(76)**	(224)
Legal expenses	**(74)**	(55)
Accounting, acquisition and relisting costs	**(137)**	(134)
IT, office and communication expense	**(33)**	(253)
Share based payment expense (Employee share plans)	**(23)**	155
Loyalty incentive costs	**-**	(227)
Other expenses	**(339)**	(575)
	(1,177)	(1,950)

NOTE 4: TRADE AND OTHER RECEIVABLES

	Consolidated Half-year	
	31 December 2018 $'000	**30 June 2018 $'000**
Current		
Trade receivables	**300**	263
Sundry debtors	**64**	187
Operating lease receivable	**-**	27
Other receivables	**205**	-
NAML Receivable[1]	**1,605**	1,552
Total current trade and other receivables	**2,174**	2,030
Non-current		
NAML receivable[1]	**4,211**	4,071
Other receivable	**150**	150
Total non-current trade and other receivables	**4,361**	4,221

[1] The NAML receivable represents the deferred consideration payable by NAML to Contango Financial Management Limited (CFML), a controlled entity of the Group, over a four year period in accordance with conditions of the arrangement as disclosed in the Group's Annual Report for the year ended 30 June 2018. The NAML receivable has been measured at amortised cost using the effective interest method.

NOTE 5: GOODWILL AND INTANGIBLE ASSETS

	Consolidated Half-year 31 December 2018 $'000	30 June 2018 $'000
Goodwill		
At cost	**8,636**	9,760
Accumulated impairment loss	**(3,830)**	(9,760)
	4,806	-
Customer Relationships		
At cost	**-**	1,867
Accumulated impairment loss	**-**	(1,867)
	-	-
Total Goodwill and Intangible Assets	**4,806**	-

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

	Goodwill $'000	Customer Relationships $'000	Total $'000
Opening value at 1 July 2018	**-**	-	**-**
Acquired through business combination/ acquisition of SAM (refer to Note 6)	**8,636**	**-**	**8,636**
Impairment loss	**(3,830)**	**-**	**(3,830)**
Closing value at 31 December 2018	**4,806**	**-**	**4,806**

Impairment testing

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

In assessing whether there may be an indication of impairment, the directors have compared the Group's carrying value of the cash generating unit with the recoverable amount, being the cash generating unit's fair value less costs to sell. The directors consider the valuation for SAM provided in the Company's Explanatory Statement dated 14 August 2018 and accompanying Independent Experts Report to be the recoverable amount.

The directors have reduced the carrying amount of goodwill arising from the acquisition of SAM to $4,806,000 and recognised an impairment loss in the period ended 31 December 2018 of $3,830,000 (2017: nil).

NOTE 6: BUSINESS COMBINATION

Acquisition of Switzer Asset Management Limited (SAM)

On 13 September 2018 the Company's shareholders approved the acquisition of the remaining 53.75% interest in SAM making it a wholly owned subsidiary. The 53.75% interest was acquired for the consideration of 7,166,667 new fully paid ordinary shares of the Company.

The fair value of the Company's investment in SAM on the acquisition date of 13 September 2018 is determined with reference to the quoted market price of the Company's shares. As the Company's shares were not traded on 13 September 2018, the market price at which shares were traded on 12 September 2018 of $0.615 per share was used.

Prior to the full acquisition of SAM, the Company took its share of SAM's losses in the current period to profit or loss reducing the carrying value of its 46.25% interest in SAM to $nil (30 June 2018: $308,000). Consequently, upon remeasuring that 46.25% equity interest to fair value on full acquisition date, a gain of $3,792,500 was recognised in profit or loss.

The fair value of the Company's total investment in SAM at acquisition date is $9,163,023 which comprises:

- the fair value of the consideration given for the 53.75% interest in SAM of $4,407,500 (7,166,667 ordinary shares at $0.615 per share),
- the fair value of the previously held 46.25% interest in SAM of $3,792,500 ($4,407,500 divided by 53.75% multiplied by 46.25%), and
- the effect of settlement of pre-existing subordinated loans between the Group and SAM which were restated to fair value on acquisition date of $963,023 (refer Note 9).

Details of the business combination are set out below:	**$'000**
Purchase consideration transferred	
Fair value of CGA shares issued	4,408
Fair value of 46.25% interest in SAM	3,792
Effect of settlement of pre-existing subordinated loans	963
Fair value of consideration transferred	**9,163**
Recognised amounts of identifiable net assets:	
Assets	
Cash and cash equivalents	1,004
Trade and other receivables	152
Other assets	29
Total Assets	**1,185**
Liabilities	
Trade and other payables	156
Borrowings	502
Total Liabilities	**658**
Total identifiable net assets at fair value	**527**
Goodwill arising on acquisition of SAM	**8,636**

NOTE 6: BUSINESS COMBINATION (Continued)

Goodwill recognised in the business combination transaction is the excess of the fair value of consideration transferred over the fair value of total identifiable net assets. Goodwill represents the future economic benefits attributable to synergies expected to arise for the Group after the Company's full acquisition of SAM.

Goodwill is subject to impairment testing as described in Note 5.

From the acquisition date of 13 September 2018 to 31 December 2018, SAM contributed revenue of $350,707 and a net loss of $75,840 to the Group.

If the acquisition of SAM had occurred at the beginning of the half-year reporting period, SAM would have contributed revenue of $545,059 and a net loss of $620,214.

NOTE 7: INCOME TAX CREDIT

	Consolidated Half-year	
	31 December 2018 $'000	31 December 2017 $'000
(a) The major components of tax expense comprise:		
Derecognition of deferred tax liabilities	-	320
	-	320

The customer relationship intangible asset to which the deferred tax liabilities related were either sold, amortised or fully impaired to the profit or loss, this meant that the associated deferred tax liability was also effectively reversed.

NOTE 8: CONTRIBUTED EQUITY

Movements in ordinary share capital:

Details	Number of shares	$'000
Opening Balance as at 1 July 2018	**41,908,361**	**145,431**
Details:		
Issue of shares, net of transaction costs	**7,166,667**	4,408
Balance as at 31 December 2018	**49,075,028**	**149,839**

On 13 September 2018, the Company issued 7,166,667 new fully paid ordinary shares to acquire the remaining 53.75% interest in SAM making it a wholly owned subsidiary. The fair value of the shares on the acquisition date was $0.615 per ordinary share. Refer to Note 6 for additional information.

NOTE 9: RELATED PARTY TRANSACTIONS

On 28 August 2018 the Group provided a further $836,188 subordinated loan at an interest rate of 12% to its then associated entity, Switzer Asset Management Limited (SAM). This loan has no fixed term, and is subordinated to all other creditors of SAM.

Prior to 13 September 2018, the date of the Company's full acquisition of SAM, the Group had provided SAM with subordinated loans totalling $1,095,657. The business combination transaction required these subordinated loans to be re-stated to fair value, at amortised cost using the effective interest method, and then to be effectively settled. The fair value of these loans was added to the value of the consideration transferred to acquire SAM (refer to Note 6).

The fair value of the subordinated loans determined for the purpose of the business combination transaction was $963,023 with the change in fair value resulting in a charge of $132,634 to profit or loss.

	$
Balance at 1 July 2018	259,469
Loans advanced	836,188
Total loans advance - pre-acquisition date	1,095,657
Less:	
Fair value adjustment - subordinated loans to SAM	(132,634)
Subordinated loans effectively settled as a result of the business combination – at fair value	(963,023)
Balance at 31 Dec 2018	**-**

The effective settlement of the subordinated loans is recognised only on consolidation for the purpose of reporting the business combination.

On 1 November 2018 the Group entered into a marketing and distribution agreement on commercial terms with Switzer Financial Group (SFG).

NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NOTE 11: SEGMENT INFORMATION

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

NOTE 12: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since 30 June 2018.

NOTE 13: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The directors are not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the Group, the results of its operations or the state of the Group in subsequent years.

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 8 to 21 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Roger Amos
Chairman

Sydney
22 February 2019

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

Report on review of interim financial information

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Contango Asset Management Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne

22 February 2019