Contango MicroCap Limited and Controlled Entities

ABN 47 107 617 381

Financial report for the Year ended 30 June 2015

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The directors present their report together with the financial report of the Company consisting of Contango MicroCap Limited and the entity it controlled, for the financial year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of directors in office during the year are:

Mark G Kerr – appointed 7 December 2009
Ian N Ferres – appointed 7 December 2009
David I Stevens – appointed 14 January 2004
Glenn Fowles – appointed 14 January 2004

Principal activities

The principal activities of the Company during the financial year were investing in microcap companies listed on the Australian Securities Exchange (ASX) and provision of funds management services to external clients.

Results

The consolidated loss after income tax attributable to the members of Contango MicroCap Limited was $734,606 (2014: Profit of $32,530,489). Basic earnings per share amounted to -0.5 cents per share for the year (2014: +21.0 cents).

Review of operations

MicroCap Investment Portfolio
The current period loss is primarily attributed to the general market decline that occurred during the month of June 2015.

For the full year the Company's investment portfolio has performed better than the S&P/ASX Small Ordinaries Accumulation Index.

During the year the parent company's share price has risen from $1.020 to $1.075 – after adjusting for 8.6 cents per share of dividends paid this amounts to total return of 13.3%. By comparison, the S&P/ASX Small Ordinaries Accumulation Index rose 0.4% over the same period.

The Net Tangible Asset ("NTA") value per share of the parent entity has decreased by 7.0% - after inclusion of the 8.6 cents per share of dividends paid the NTA return was +0.5%.

Fund Management
This segment of the business contributed profit before tax of $870,845 for the year ended 30 June 2015. This compares with $7,047 for the 7 months from 30 November 2013 to 30 June 2014 when these activities began as 100% subsidiaries. As at 30 June 2015 funds under management totalled $774.7m (2014: $773.2m).

Investment performance of Contango Asset Management Limited's products over the year has been strong as indicated by the table below:

Product (year to 30 June 2015)	Product Benchmark	Contango Return	Benchmark Return	Excess Performance
Aust Equities	S&P/ASX300 Accum	+8.20%	+5.61%	+2.59%
Small Companies	S&P/ASX Small Ords Accum	+2.11%	+0.44%	+1.67%
Microcaps	S&P/ASX Emerging Cos Accum	+2.22%	-3.60%	+5.82%
Income Generator	ASX All Ordinaries Accum	+9.70%	+5.67%	+4.02%
Leaders Income	S&P/ASX300 Accum	+9.88%	+5.61%	+4.27%
Global Unhedged	MSCI ACWI Ex-Aust $A	+26.91%	+21.60%	+5.31%

Significant changes in the state of affairs

On 19th December 2014, the Company issued 265,000 unsecured redeemable convertible notes, raising proceeds of $26,500,000. The notes will pay interest at the rate of 5.5% per annum, half yearly on 31 March and 30 September until maturity on 31 March 2020. The notes have a conversion price of $1.30 per ordinary share and note holders may convert their notes into ordinary shares in the Company on maturity or at various times prior to that as approved by the Board. The notes are fully redeemable on maturity if not converted.

There have been no other significant changes in the Company's state of affairs during the financial year.

After balance date events

On 3 July 2015, a subsidiary of the Company, Contango Income Generator Limited (ASX code: "CIE"), lodged a prospectus with the Australian Securities and Investments Commission as an initial public offering of shares proposing to list on ASX.

The offer for shares opened on 7 July 2015 and closed on 31 July 2015 with $71,451,000 subscribed including the $30m committed by the Company as the foundation shareholder. CIE successfully listed on 14 August 2015.

CIE's investment manager is Contango Asset Management Limited ("CAML") and it will be entitled to a management fee of 0.95% per annum on the value of CIE's investment portfolio - adding approximately $670,000 to CAML's (and the Company's consolidated) annual revenue.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments

The Company will continue to pursue its operating strategy to create shareholder value by investing in microcap companies listed on the Australian Securities Exchange (ASX) and furthering its funds management activities.

Environmental regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

The final dividend for the year ended 30 June 2014 of 4.6 cents per share (50% franked) was paid to shareholders on 30 September 2014. The interim dividend for the year ended 30 June 2015 of 4 cents per share (50% franked) was paid to shareholders on 31 March 2015.

The final dividend for the year ended 30 June 2015 has not yet been declared.

Total dividends paid or declared during FY15 was $13,606,647 (2014: $12,278,508).

Share options

Unlisted Options
557,052 unlisted options were granted during the completion of the acquisition of the 50.004% of Contango Group Pty Ltd (CGPL) on 30 November 2013. These options have an exercise price of $1.106 and expire on 30 November 2016. There has been no exercise of any of the unlisted options up to 30 June 2015.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Contango MicroCap Limited at any time during the year is provided below, together with details of the company secretary as at the year end.

Name	Mark G Kerr
Position	Chairman (Non-executive)
Qualifications	LL.B. (University of Melbourne)
Appointment	7 December 2009
Experience and expertise	Mark is an experienced director whose other current roles include Non-Executive Director of Contango Income Generator Limited (26 October 2012 to present); Non-Executive Chairman of Hawthorn Resources Limited (27 November 2007 to present) and Think Childcare and Education Limited (21 July 2014 to present). Mark is a director of Berkeley Consultants Pty Ltd which specialises in public relations and reputation management consultancy. He is also a director and adviser to various other private companies. Mark's community involvement currently extends to being a member of the Victorian Committee of the Juvenile Diabetes Research Foundation and a member of the St Vincent's Institute Charity Golf Day Committee. Mark was formerly the Non-Executive Chairman of one-time ASX listed company Process Wastewater Technologies Limited from December 2007 to June 2013.

Name	Ian N Ferres AM
Position	Board member (Non-executive)
Qualifications	AM, FIAA, FAICD
Appointment	7 December 2009
Experience and expertise	Ian has had a distinguished career in the funds management industry. He was employed by National Mutual Limited from 1956 to 1990. His executive positions within National Mutual Limited have included roles as Executive Director from 1983 to 1990, with responsibility for all worldwide equity, property, fixed interest investments and financial/banking ventures from 1975 to 1988, and as Managing Director of Meridian Funds Management 1988 to 1990. Ian was Group Managing Director of Australian Unity from 2002 to 2004. Ian has been chairman of some 15 entities, and a director of a further 15, since he began a non-executive career in 1990. They have included both Federal and State Government corporations, private companies, both listed and unlisted public companies, and community and charitable organizations. Ian is currently a director of Contango Income Generator Limited. He also holds a number of other non-executive positions including: Consultant, TressCox Lawyers since 2005 and Chairman of Technology Development Investment Limited (and a director of its investee companies).

Name	David I Stevens
Position	Managing Director
Qualifications	Bachelor of Economics (Monash University)
Appointment	14 January 2004
Experience and expertise	David was the founder in 2004 of Contango MicroCap Limited (CTN) and he was the Portfolio Manager from 2004 to 2011. He jointly founded Contango Asset Management Limited (CAML) in 1998. Prior to establishing Contango he was the Managing Director and Chief Investment Officer of HSBC Asset Management (Australia) Limited. David joined HSBC in 1989 he became CIO in 1990 and Managing Director in 1992. During this period, funds under management at HSBC rose from $700 million to $6.3 billion. Previously with HSBC he had worked in London managing Global portfolios on behalf of US institutional clients. More recently, David introduced a number of new Contango funds aimed at the retirement income and the global equities requirements of the SMSF sector. David continues as the Portfolio Manager of the Contango Global Value Fund which was established in 2007.
Special Responsibilities	Chief Executive Officer

Name	Glenn Fowles
Position	Board Member (Executive)
Qualifications	Bachelor of Business (Accounting and Finance) (Massey University, NZ)
Appointment	14 January 2004
Experience and expertise	Glenn has worked in the financial services industry since 1985. His roles at fund management organisations have included that of Company Accountant, Operations Manager, Financial Controller, Finance Director, Chief Operating Officer and Chief Executive Officer. Glenn has extensive experience in all aspects of investment administration, including investment accounting, custody, information systems, compliance and taxation.
Special Responsibilities	Company Secretary and Chief Financial Officer

Directors' meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board Meetings	
	Eligible to attend	**Attended**
Mark G Kerr	12	12
Ian N Ferres	12	12
David I Stevens	12	12
Glenn Fowles	12	12

	Audit & Compliance Committee Meetings	
	Eligible to attend	**Attended**
Ian N Ferres	4	4
David I Stevens	4	4
Mark G Kerr	4	4
Jonathon Zdilar (Secretary)	4	4

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company has paid insurance premiums amounting to $77,500 (2014: $76,230) insuring all the directors and the officers which indemnifies them against any claim made against them subject to the conditions contained within the insurance policy. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the policy terms. No indemnities have been given or insurance paid for the auditors of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit and other assurance services provided by auditor

Non-audit services are approved by the audit committee. Other assurance services provided by the auditors (Pitcher Partners) of the company during the year related to the issuance of an Investigating Accountants Report for the Contango Income Generator Prospectus' and attendance at the Due Diligence Committee meetings for the Contango Microcap Limited convertible note issue. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

Amounts paid and payable to Pitcher Partners for:	**2015 $'000**	**2014 $'000**
Audit and other assurance services		
Audit and review of financial reports	**69**	65
Other assurance services	**64**	-
Total remuneration for audit and other assurance services	**133**	65
Other non-audit services		
Taxation services	**-**	29
Total remuneration for non-audit services	**-**	29
Total remuneration of Pitcher Partners	**133**	94

ASX Corporate Governance Statement

The Board of Directors of Contango Microcap Limited is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement (CGS) in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Contango website at http://www.contango.com.au/ctn_contango_microcap_about_us.php under the Corporate Governance section.

Rounding of amounts

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Remuneration Report (audited)

Message from the Board

We are pleased to present the Remuneration Report for the calendar year ending 30 June 2015. The report clearly explains to shareholders the remuneration framework and outcomes for our senior executives and non-executive directors during 2014/2015.

Remuneration Changes

As we indicated in last year's annual report, with the takeover of Contango Asset Management (CAML) in November 2013, the business became more complex, increasing staffing to 17 with significantly more portfolios to manage. Over the past year we have not increased staff but made changes to ensure that the organisation was focused on building its funds under management, so as to achieve a sustainable size, and deliver above benchmark investment performance.

I indicated last year that we would review the job roles and responsibilities of all key management personnel, align key management to market rates of pay and to review the short and long-term incentive program to ensure that we were able to attract and retain high calibre personnel to achieve our medium to long-term business objectives.

During the year we have reviewed the key management personnel's job roles and responsibilities and added a new executive George Boubouras as Chief Investment Officer. The fixed salary levels for the key management personnel have been reduced to reduce the emphasis on fixed remuneration, with a greater emphasis on short and long-term incentive remuneration. Further, salary levels more closely align with market rates for similar size funds management companies. Finally the Board has agreed to a new incentive program that will commence from 1st July 2015.

Over and above these management changes and reviews of remuneration, we have also undertaken a review of the non-executive director's emoluments. In doing so, we have been able to reduce our overall non-executive director fees from prior years, when non-executive directors were heavily involved in the purchase of the investment management company, the integration of the staff into the wider Contango Group and the restructures referred to above. With the merger of Contango Microcap and CAML, and the finalisation of the new staff remuneration structure, we have been able to streamline this process to achieve a cost effective outcome with regards to remuneration rates for directors.

It is the intent of the Board to employ more non-executive directors in the next financial year, to further enhance the skills and attributes of the Board.

2015 Financial Year

As can be seen later in the report, remuneration levels for the key management personnel have been reduced to bring them in line with market rates of pay. Performance levels to date have not met benchmark and hence no incentives have been paid in the financial year. The new incentive program will however result in incentives being paid to the key management personnel and other staff, should the organisation be successful in meeting its profit and investment performance targets.

1 Introduction

This section describes the scope of the Remuneration Report and the individuals whose remuneration details are disclosed.

1.1 Scope

The Remuneration Report sets out in accordance with the Corporations Act 2001 (Cth) and relevant accounting standard requirements the remuneration arrangements in place for the Key Management Personnel (KMP's) of the group during the 2015 financial year.

The information provided in this Remuneration Report has been audited setting out the total remuneration realised in the 2015 financial year. To ensure transparency and simplicity, we have complied tables highlighting the actual remuneration provided to both Non-Executive Directors and senior executives in addition to the statutory requirements.

1.2 KMP's for the 2015 Financial Year

For the purposes of this Remuneration Report the KMP's are referred to as either senior executives or Non-Executive Directors. The senior executives and the Non-Executive Directors as at 30 June 2015 are set out in the table below:

Key Management Personnel (KMP's) (as at 30 June 2015)		
Name	**Title**	**Change during the 2015 financial year**
Mark Kerr	Chairman and Independent Non-Executive Director	No change
Ian Ferres	Independent Non-Executive Director	No change
David Stevens	Executive Director and Managing Director	No change
Glenn Fowles	Executive Director, Chief Financial Officer and Company Secretary	No change
George Boubouras	Chief Investment Officer	Commenced - 6th January 2015

2 Remuneration Governance

This section describes the role of the Board, the Remuneration and Nominations Committee and the use of external advisors when making decisions.

2.1 Role of the Board and the Remuneration and Nominations Committee

The Board is responsible for the group's approach to remuneration. Consistent with this responsibility, the Board has established a Remuneration and Nominations Committee that comprises all of the independent directors.

The role of the Remuneration and Nominations Committee is set out in its charter which was last revised and approved by the Board on 14 November 2013 and is available on our website.

With respect to its remuneration functions, its role is to:

- Review and approve the remuneration strategy and policies for the group.
- Consider and propose to the Board the remuneration of the CEO and consider and approve the remuneration for all other senior executives.
- Review and approve the group's STI and LTI plans and the amount in terms of grants and payments made to senior executives under these plans.
- Determine and approve the treatment of equity awards when senior executives cease employment.
- Review and make recommendations to the Board regarding the remuneration of Non-Executive Directors.

In making its decisions the Remuneration and Nominations Committee considers advice from the CEO and other members of management and from external advisors. Further information on the Remuneration and Nominations Committee role, responsibilities and membership is contained in the Company's Corporate Governance Statement.

2.2 Use of External Advisors

The Remuneration and Nominations Committee seeks and considers advice from independent and external advisors when required. Such advice will typically cover Non-Executive Director remuneration, senior executive remuneration, and advice in relation to short and long term incentive plans.

Hart Consulting Group has been approved by the Remuneration and Nominations Committee to be the Group's principal advisor on executive remuneration. During the 2015 financial year, the main focus of Hart Consulting Group's role was to advise the Board in compiling the Remuneration Report.

During the 2015 financial year, advice paid for by the organisation on this issue was $8,000 plus GST.

3 Executive Remuneration

This section describes the remuneration approach that applied during the 2015 financial year as well as how performance is linked to reward under the executive remuneration framework.

3.1 Remuneration Principles

The key remuneration principles are to:

- Ensure that executives are rewarded on the basis of performance measures that support the group's business plans and strategies and are consistent with our overall values.
- Align the interests of executives and shareholders by focusing on those characteristics that underpin growth in shareholder value.
- Attract and retain key talent.
- Provide a balance between fixed and performance based variable remuneration.

3.2 Remuneration Components

Executive remuneration for the 2015 financial year was delivered as a mix of fixed and variable remuneration set out in the table below. Variable remuneration is remuneration that moves up or down to reflect group and individual performance and can be earned through the short term incentive plan and in the future through the long term plan.

Fixed Remuneration	Base salary, non-monetary benefits and superannuation.
STI	Annual variable remuneration delivered as cash, subject to company financial and personal performance measures.
LTI	Equity based award subject to performance hurdles measured over three year performance periods (commencing in FY16).

How each of these components align with, and support, the group's business strategy is shown in the diagram below.

Executive Remuneration Framework

Business Strategy
Our aim is to be renowned for excellence through above average investment returns meeting customer service requirements across specific markets while empowering our people to achieve these results.

Remuneration Framework		**Remuneration Framework**
Fixed Remuneration	**Fixed Remuneration**	**Fixed Remuneration**
Reviewed as required Define peer groups for comparisons Define policy regarding how remuneration should compare to these peer groups. Influenced by individual performance	Reviewed as required Define peer groups for comparisons Define policy regarding how remuneration should compare to these peer groups. Influenced by individual performance	Reviewed as required Define peer groups for comparisons Define policy regarding how remuneration should compare to these peer groups. Influenced by individual performance

Outcomes	**Outcomes**	**Outcomes**
Market competitive remuneration to attract and retain executives.	Market competitive remuneration to attract and retain executives.	Market competitive remuneration to attract and retain executives.

3.3 Timing of Remuneration Components

The different components of remuneration reflect a focus on both short and long term performance and delivery of these components over timeframes ensure that executives remained focused over a multi-year horizon.

Retention of executives is assisted by:

- Reducing fixed reward and increasing variable reward based on surpassing a suitable return on monies invested in the business. (Hence more remuneration payable if targets achieved).
- The annual award and multi-year performance period of the LTI plan. (LTI to be introduced in FY16.)

Generally if executives leave the group before the awards vest, they will forfeit their entitlement.

The granting of equity to senior executives will ensure that executive rewards are aligned with shareholder returns by having ongoing exposure to the company's share price.

3.4 Approach to Setting Remuneration

Individual remuneration is determined by reference to:

- The policy remuneration mix set out in the table below, applied in accordance with the terms of the senior executives contracts.
- Available market data for comparable roles.
- Consideration of factors specific to the individual.

The market data referenced in reviewing remuneration is for comparable roles in similar sized funds management organisations based on funds under management.

Fixed remuneration and total target remuneration is typically positioned between the median and the 75th percentile of the relevant market. The objective of this target positioning is to facilitate the attraction and retention of the best talent in a competitive market.

Actual market positioning for each individual may deviate above or below the policy due to consideration of internal relativities, experience, tenure in the role and individual performance.

Remuneration levels are reviewed annually by the Remuneration and Nomination committee and upon change of an executive's position.

The Board approves any changes to the CEO's, CFO's and CIO's remuneration arrangements following consideration by the Remuneration and Nominations Committee.

	Fixed Remuneration	STI (Maximum)	LTI (grant value) (Maximum)
FY15 Policy Remuneration Mix			
CEO	50%	50%	0
CFO/Co. Sec.	50%	50%	0
CIO	50%	50%	0
FY16 Policy (once LTI plan implemented)			
CEO	33%	33%	33%
CFO/Co. Sec.	33%	33%	33%
CIO	33%	33%	33%

3.5 Executive Components in Detail

Detailed below is more detailed information on the fixed and short term incentive programs that currently exist for the senior executives.

3.5.1 Fixed Remuneration

Fixed remuneration received by the senior executives comprise base salary and superannuation only.

As at January 2015, senior executive's remuneration was reviewed in accordance with their employment contracts and our new remuneration structure Mr Stevens' and Mr Fowles' remuneration was decreased as a result.

During FY15 it was decided to simplify fixed remuneration even further so that the fixed remuneration covered only salary and superannuation. This fixed remuneration will be reviewed annually, once the Board has reviewed all of the salient factors. If and when minimum superannuation entitlements increase, this will not affect the fixed remuneration for the senior executives. Only increases granted by the Board will enable fixed remuneration to increase from one period to another.

3.5.2 STI Plan

The FY15 short term incentive plan was based on meeting a performance hurdle which was above the required level of profit for Contango Asset Management Limited (CAML).

Once the profit hurdle was surpassed, a proportion of the profits above that hurdle, established the bonus pool. A judgement on a range of key performance indicators for each participant was then used to determine the distribution of the profit pool to the participants.

For FY15 the minimum performance profit target was not achieved. However, the Board had the option to allocate up to $200,000 in bonuses to all participants in the short term incentive on a discretionary basis considering all salient issues. No payments were made, other than the once off agreed contractual bonus to Mr Boubouras.

For FY16 and beyond the company has developed a revised short-term incentive plan, applying to all staff, as well as a long-term incentive plan for its executives and investment professionals. These plans are aimed at aligning the interests of the staff with those of CTN's shareholders, to provide incentives for above average performance and to provide a retention mechanism.

The success of the plans are totally dependent on the growth and profitability of CTN's funds management activities that are operated through its subsidiary's - in particular through its wholly owned subsidiary Contango Asset Management Limited (CAML).

Payments under the plans depend firstly on the profitability of CAML, over and above a satisfactory return on CTN's investment in recent years when CTN purchased CAML from its previous shareholders. Profits above this base level will be shared between CTN shareholders and its staff.

All staff will have annual and half yearly appraisals against a personal set of targets, covering not only their direct personal responsibilities, but also their personal contribution to the group's overall investment performance, the growth of the business and the development of a cohesive collaborative working team.

Significant rewards will only flow to staff from the generation of top class investment and administrative performance, along with substantial growth in funds under management. In this event CTN shareholders will also gain considerable additional returns from their investment in CAML.

3.5.3 LTI Plan

The long term plan will commence from FY16, post the approval of establishing such a plan as agreed and voted for by shareholders at the last AGM. The plan is a rolling three year program, providing executives and investment professionals with shares in CTN should the organisation overachieve its profit targets.

Actual share allocation will not commence until July 2018, three years after the plan commences and then annually so long as the targets are achieved.

3.5.4 Executive Employment Contracts

The following sets out details of the contract terms relating to the disclosed executives from the 1st July 2015.

Executive and Role	David Stevens – CEO	Glenn Fowles – CFO/Co. Sec.	George Boubouras - CIO
Fixed Reward	$350 000 (Jul/Dec) $300 000 (Jan/Jul)	$300 000	$300 000
Superannuation	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.	Compulsory superannuation is deducted from the fixed reward up to the maximum contribution base.
Short Term Incentive	Max 100% of Fixed	Max 100% of Fixed	Max 100% of Fixed
Non-monetary benefits	Nil	Nil	Nil
Termination by the executive	6 months	6 months	6 months
Termination by the company	6 months Or immediately if cause	6 months Or immediately if cause	6 months Or immediately if cause
Contract period	Open ended and exclusive	Open ended and exclusive	Open ended and exclusive
Restraint	6 months from being engaged in a business or activity in Australia and New Zealand which competes with or is substantially similar to the business of CAML.	6 months from being engaged in a business or activity in Australia and New Zealand which competes with or is substantially similar to the business of CAML.	6 months from being engaged in a business or activity in Australia and New Zealand which competes with or is substantially similar to the business of CAML.

3.5.5 Senior Executive's Total Remuneration

This section details the groups' senior executive remuneration in accordance with the Corporation and Accounting Standards.

We recognise that the required presentation of this information can make it difficult for shareholders to understand the actual value senior executives derive from the various components of their remuneration. Accordingly, the table below sets out the value of fixed remuneration and short term incentive earned during FY15.

Disclosure of actual remuneration is provided voluntarily for increased transparency. This table provides additional information and is not intended to reflect the disclosures that are made elsewhere in this annual report which has been prepared in accordance with the Accounting Standards and the requirements of the Corporation Act.

Total remuneration realised for current senior executives during the 2015 financial year.

Name	Cash Salary	Superannuation	STI earned	LTI	Total
D. Stevens	$476 217	$18 783	$0	Nil	$495 000
G. Fowles	$330 467	$18 783	$0	Nil	$349 250
G. Boubouras	$115 608	$ 9 392	$50,000	Nil	$175 000

4 Non-Executive Director Remuneration

This section explains the remuneration arrangements for Non-Executive Directors (Executive Directors do not receive additional remuneration). Details of the Non-Executive Directors and their Board Committee memberships as at 30 June 2015 are set out in the table below:

Director	Position	Board Committees (as at 30 June 2015)
Mark Kerr	Chairman and Independent Non-Executive Director	Audit and Risk Committee – Chairman Remuneration and Nominations Committee – Member
Ian Ferres	Independent Non-Executive Director	Remuneration and Nominations Committee – Chairman Audit and Risk Committee – Member

4.1 Setting Non-Executive Director Remuneration

The Remuneration and Nominations Committee annually reviews and makes recommendations to the Board regarding Non-Executive Director fees and committee fees.

The Remuneration and Nominations Committee may seek advice from independent external advisors in forming their recommendations.

Remuneration for Non-Executive Directors is designed to ensure that the group can attract and retain suitably qualified and experienced Directors. Fees are based on a comparison to market for Director fees in companies of a similar size and complexity.

Non-Executive Directors do not receive shares, options or any other performance related incentives.

4.2 Fee Levels and Fee Pool

Directors' fees had not increased since the current incumbents were appointed in December 2009. The recent review of rates was effective from July 2014.

The aggregate annual fees to the Non-Executive Directors for their services as Directors are limited to the maximum annual amount approved by shareholders. The maximum annual amount is currently $750,000 (including superannuation contributions) as approved by shareholders at the 2013 AGM.

The fees paid to Directors for FY15 are set out in the table in section 4.6. In addition to these fees, superannuation contributions will be made for the benefit of the Non-Executive Directors capped at the maximum amount required under the superannuation guarantee legislation.

Board and Committee Fees		
	Chairman	Member
Board	$100 000	$70 000
Audit and Risk Committee	$ 5 000	$ 5 000
Remuneration and Nominations Committee	$ 5 000	$ 5 000
Total	$ 110,000	$80,000

In addition to the fees above, Mr Kerr and Mr Ferres are also paid for additional work carried out as consultants. In the most recent year, this has involved numerous meetings with management, directors and consultants regarding the new remuneration plans.

Appropriate daily rates approved by the Board after advice from external advisors have been charged by the Non-executive Directors in undertaking the work associated with the takeover of the various organisations.

4.3 Non-Executive Directors Retirement Benefits

There are no retirement benefits applicable to Non-Executive Directors other than payment of monies into the superannuation fund.

4.4 Non-Executive Director Total Remuneration

Details of the Non-Executive Directors remuneration for 2014 and 2015 financial years are set out in the table below:

Directors of Contango Group Companies					
	Short Term Benefits		**Post-Employment Benefits**		**Total**
	Board of Committee Fees	**Takeover Committee**	**Super Contribution**	**Termination Benefits**	
M. Kerr[1]					
2015	$110 000	-	$ 10 450	-	$120 450
2014	$ 60 000	$ 89 375	$ 5 550	-	$154 925
I. Ferres[1]					
2015	$ 80 000	-	$ 7 600	-	$ 87 600
2014	$ 60 000	$ 74 100	$ 24 350	-	$158 450
Total					
2015	$190 000	-	$ 18 050	-	$208 050
2014	$120 000	$163 475	$ 29 900	-	$313 375

[1] *In addition both directors earned additional consulting fee in 2014/15 of $15 000 for Mark Kerr and $12 000 for Ian Ferres.*

5. Voting and Comments at Company's AGM

At the Company's Annual General Meeting held on 6 November 2014, 89% of votes cast by shareholders approved the remuneration report for FY14

6. Statutory KMP Table

	Short Term Employee Benefits			Post Employment			Long Term Benefits[4]				
	Cash Salary	Bonus[2]	Non Monetary Benefits[3]	Super Benefits	Termination Benefits	SUBTOTAL	Shares	Fair Value of Shares	TOTAL PAYMENTS	Percentage of Cash Bonuses[5]	Percentage Share Based Incentive
M. Kerr											
FY15	$125 000	0	0	$10 450	0	$135 150	0	0	$135 450	0%	0%
FY14	$149 375	0	0	$5 550	0	$154 925	0	0	$154 925	0%	0%
I. Ferres											
FY15	$92 000	0	0	$7 600	0	$99 600	0	0	$99 600	0%	0%
FY14	$134 100	0	0	$24 350	0	$158 450	0	0	$158 450	0%	0%
D. Stevens											
FY15	$476 217	0	0	$18 783	0	$495 000	0	0	$495 000	0%	0%
FY14[1]	$334 078	0	$4 486	$12 970	0	$351 534	0	0	$351 534	0%	0%
G. Fowles											
FY15	$330 467	0	0	$18 783	0	$349 250	0	0	$349 250	0%	0%
FY14[1]	$191 033	0	$8 963	$12 970	0	$212 966	0	0	$212 966	0%	0%
G.Boubouras											
FY15[6]	$115 608	$50,000	0	$9 392	0	$175 000	0	0	$175 000	0%	0%

1 *Relates to seven months' salary only when CTN took over CAML.*
2 *Bonus payments refer to the FY15 year only.*
3 *Refers to the value of health insurance premiums and the FBT liability.*
4 *No plan is in place for FY15.*
5 *Percentage calculation is based on the cash STI in FY15 as a percentage of total payments.*
6 *Six months employment commenced 6th January 2015.*

7. Directors' interests in shares and options

Directors' relevant interests in ordinary shares and options of Contango MicroCap Limited are detailed below.

	2015 shares	**2015 convertible notes**	**2015 options**	**2014 shares**	**2014 convertible notes**	**2014 options**
Mark G Kerr	51,924	296	nil	nil	n/a	nil
Ian N Ferres	Nil	nil	nil	nil	n/a	nil
David I Stevens	2,214,839	nil	nil	2,469,255	n/a	nil
Glenn Fowles	588,105	nil	180,289	588,105	n/a	180,289

Signed in accordance with a resolution of the directors.

Mark Kerr
Director
Melbourne
20 August 2015

PITCHER PARTNERS

CONTANGO MICROCAP LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CONTANGO MICROCAP LIMITED

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

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

N R BULL
Partner

PITCHER PARTNERS
Melbourne

20 August 2015

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

	Notes	**2015 $'000**	2014 $'000
Revenue and other income			
Revenue	4	**9,634**	6,972
Fair value gain/(loss) on financial assets through profit and loss		**(3,735)**	41,363
Other income	4	**-**	919
		5,899	49,254
Less:			
Management fees		**-**	(468)
Employee benefits expense		**(4,031)**	(2,607)
Depreciation and amortisation expense	10, 14	**(71)**	(16)
Impairment of goodwill	11	**-**	(396)
Finance costs		**(764)**	-
Other administration expenses		**(4,126)**	(3,693)
		(8,992)	(7,180)
Add:			
Share of net profits/(losses) of associates accounted for using the equity method		**-**	(443)
Profit/(loss) before income tax		**(3,093)**	41,631
Income tax benefit/(expense)	5	**2,358**	(9,101)
Net profit/(loss) from continuing operations		**(735)**	32,530
Profit/(loss) for the year		**(735)**	32,530
Total comprehensive income for the year		**(735)**	32,530
Earnings per share for comprehensive income to the equity holders of the parent entity:			
Basic earnings per share	22	**-0.5**	21.0
Diluted earnings per share	22	**-0.5**	21.0

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2015

	Notes	**2015 $'000**	2014 $'000
ASSETS			
Cash and cash equivalents	7	**10,486**	6,023
Receivables	8	**2,778**	2,354
Investments at fair value	9	**183,869**	175,683
Property, plant and equipment	10	**35**	46
Goodwill	11	**9,455**	9,455
TOTAL ASSETS		**206,623**	193,561
LIABILITIES			
Payables	12	**2,021**	563
Tax payable	5	**74**	-
Provisions	13	**608**	650
Borrowings	14	**25,935**	-
Deferred tax liability	5	**8,523**	11,040
TOTAL LIABILITIES		**37,161**	12,253
NET ASSETS		**169,462**	181,308
EQUITY			
Contributed capital	15	**192,317**	189,821
Reserves	16 (a,b)	**24,005**	37,612
Accumulated losses	16 (c)	**(46,860)**	(46,125)
Equity attributable to owners of Contango MicroCap Ltd		**169,462**	181,308

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

Consolidated Entity	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 30 June 2013	**182,180**	**4,073**	**(32,838)**	**-**	**153,415**
Profit/(Loss) for the year	-	-	32,530	-	32,530
Total comprehensive income for the year	**-**	**-**	**32,530**	**-**	**32,530**
Transactions with owners in their capacity as owners:					
Transfer to/(from) dividend reserve	-	45,817	(45,817)	-	-
Acquisitions settled by share issue	5,430	-	-	-	5,430
Options exercised	6	-	-	-	6
Dividend reinvestment	2,205	-	-	-	2,205
Dividends paid	-	(12,278)	-	-	(12,278)
	7,641	**33,539**	**(45,817)**	**-**	**(4,637)**
Balance as at 30 June 2014	**189,821**	**37,612**	**(46,125)**	**-**	**181,308**
Profit/(Loss) for the year	-	-	(735)	-	(735)
Total comprehensive income for the year	**-**	**-**	**(735)**	**-**	**(735)**
Transactions with owners in their capacity as owners:					
Transfer to/(from) dividend reserve	-	-	-	-	-
Dividend reinvestment	2,496	-	-	-	2,496
Dividends paid	-	(13,607)	-	-	(13,607)
	2,496	**(13,607)**	**-**	**-**	**(11,111)**
Balance as at 30 June 2015	**192,317**	**24,005**	**(46,860)**	**-**	**169,462**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(6,708)**	(7,835)
Management fees		**3,319**	2,854
Sale of investments		**101,479**	95,149
Payment for investments		**(113,400)**	(92,840)
Dividends received		**5,144**	4,813
Interest received		**350**	167
Interest paid		**(400)**	-
Income tax refund/(paid)		**(85)**	529
Net cash provided by operating activities	18(a)	**(10,301)**	2,837
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired		**-**	(4,628)
Net cash provided by investing activities		**-**	(4,628)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from shares/notes issued	14,15(b)	**25,875**	7,641
Dividends paid net of amounts reinvested	16(b)	**(11,111)**	(12,278)
Net cash used in financing activities		**14,764**	(4,637)
Net increase / (decrease) in cash and cash equivalents		**4,463**	(6,428)
Cash and cash equivalents at beginning of year	18(b)	**6,023**	12,451
Cash and cash equivalents at end of the year	18(b)	**10,486**	6,023

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Company 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

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Contango MicroCap Limited, Contango Capital Partners Pty Ltd, Contango Group Pty Ltd, Contango Asset Management Limited, Bellwether Partners Limited and Contango Group Services Pty Ltd as a Company. The Company is limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 20 August.

Compliance with IFRS
The consolidated financial statements of Contango MicroCap Limited also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.
The Statement of Financial Position has been presented in order of liquidity.

Critical accounting estimates
The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Accounting for profits and losses

At the conclusion of each month, the Company records profits earned during the month to Retained Earnings and losses incurred during the month to Accumulated Losses. At the end of the financial year the Board assesses the expected value of foreseeable future dividend payments and transfers the required amount from Retained Earnings to the Dividend Payment Reserve. Any remaining surplus of Retained Earnings is transferred to Accumulated Losses.

(c) Going concern

The financial report has been prepared on a going concern basis.

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity comprising the financial statements of the parent entity and of all entities the parent controls. The parent entity controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its return.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Results of the controlled entity are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Non-controlling interests in the results of controlled entity are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

(e) Revenue

Revenue from the sale of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.
Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.
Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method.
Management fee revenue is recognised upon delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

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.

The estimated useful life for plant and equipment for 2015 is 3 years (2014: 3 years).

(h) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is discounted to present value using the group's incremental borrowing rate.

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), the surplus is immediately recognised in the statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(i) Intangibles

Goodwill

Goodwill is initially measured at the excess over the aggregate of the consideration transferred, the fair value *(or proportionate share of net assets value)* of the non-controlling interest, and the acquisition date fair value of the acquirer’s previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

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.

(j) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

In accordance with taxation legislation all wholly owned subsidiaries acquired during the year joined the tax-consolidated group on their respective acquisition dates.

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

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Contango Microcap Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 29 March 2013. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

The ability for the parent entity to utilise tax losses in the future will be limited due to the application of the available fraction rules, calculated in line with applicable taxation legislation.

(k) Provision

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

(l) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

The consolidated entity operates share-based payment employee share and option schemes. 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. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting 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.

(iv) Bonus plan

The consolidated entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(v) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(m) Accounting standards issued but not yet effective at 30 June 2015

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Chapter 6 *Hedge Accounting* supersedes the general hedge accounting requirements in AASB 139 *Financial Instruments: Recognition and Measurement*, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge

accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 *Financial Instruments: Disclosures*.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The available-for-sale investments held will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these statements was $0. Hedge accounting is likely to be applied to more of the entity's transactions in future transactions – the impact on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.

(n) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial Assets at Fair Value Through Profit or Loss

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Derivative financial instruments

The consolidated entity holds derivative financial instruments for trading purposes only.

Derivatives are initially recognised at fair value and applicable transaction costs are recognised in profit or loss as they are incurred. After initial recognition, derivatives that are not designated in a qualifying hedge relationship are measured at fair value and changes in value are recognised immediately in profit or loss.

Financial Liabilities

Financial liabilities include trade and other payables, tax payable and borrowings.

Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with changes in their fair value.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair

value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the 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.

(p) Comparatives

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

(q) Rounding of amounts

The parent entity and the Company have applied the relief available under ASIC Class Order CO 98/0100 and accordingly, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Fair value measurements

Certain financial assets and liabilities are measured at fair value. Fair values have been determined in accordance with fair value measurement hierarchy. Refer to Note 3 for the details of the fair value measure key assumptions and inputs.

(c) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations.

Bellwether Partners Limited ("BPL")
An impairment review of the BPL goodwill led to the goodwill of BPL being fully impaired.

Contango Asset Management Limited ("CAML")
For CAML these calculations are based on projected cash flows approved by management covering a period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 7.8% (2014: 8.3%) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate of 7.8% (2014: 8.3%) a discount rate of 12.0% (2014: 12.8%) to determine value-in-use.

NOTE 3: FINANCIAL RISK MANAGEMENT

(a) Objectives, strategies, policies and processes

The Company's activities may expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk, liquidity risk and risk relating to fair value.

The Company's overall risk management program focuses on ensuring compliance with the Company's Prospectus and seeks to maximise the returns derived for the level of risk to which the Company is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Company ('the Board').

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Company uses derivatives and other investments, including share price and warrants, to manage exposures resulting from changes in interest rates, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: price risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The sensitivity of the Company's equity and profit/(loss) before income tax to price risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Company invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

Once management determines that an investment may be affected by a reasonably possible movement, the effect of this movement on the Company’s equity and profit/(loss) is monitored.

(i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure arises from the Company's investment portfolio. The investments are classified on the balance sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited. At 30 June 2015, the Company had no short sold positions (2014: nil).

Derivatives are traded sparingly and used to provide short-term exposure to the general equity market.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Company's overall market positions are monitored on a daily basis by the Company's Investment Manager and are reviewed on a quarterly basis by the Board of Directors.

The Company’s net assets include investments in debt and equity securities and related derivatives. At 30 June, the overall market exposures were as follows:

	2015	**2014**
	$'000	**$'000**
Securities designated at fair value through profit or loss	**183,869**	175,683
	183,869	175,683

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Company may use derivatives to hedge against unexpected increases in interest rates. No such investments were held at 30 June 2015 (2014: nil).

The interest rate risk is measured using sensitivity analysis.

In accordance with the Company's policy, the Company monitors the Company's overall interest sensitivity on a daily basis, and the Board of Directors reviews it on a quarterly basis. Compliance with the Company's policy is reported to the Board on a monthly basis.

At 30 June 2015, cash and cash equivalents to the value of $10,485,859 (2014: $6,023,237) are the only financial instrument subject to interest rate risk. The weighted average interest rate applicable for the year was 2.2% (2014: 2.8%).

Convertible notes that were issued on 19 December 2014 pay a fixed rate of 5.5% per annum payable half-yearly on 30 September and 31 March each year until 31 March 2020.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. At 30 June 2015 the Company had exposure to 5 (2014: 24) ASX Share Price Index futures contracts with an exposed value of $674,625 (2014: $3,212,000).

The investment manager manages credit risk by diversifying the exposure among counter parties and operating in liquid markets. The Company does not have any significant concentration of credit risk on an industry basis. Deposits are held with AAA rated institutions.

With respect to credit risk arising from the financial assets of the Company, other than derivatives, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Company holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

(d) Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Company may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the Statement of Financial Position date.

In accordance with the Company's policy, the Investment Manager monitors the Company's liquidity position on a daily basis, and the Board reviews it on a quarterly basis.

Maturity analysis for financial liabilities
The table below analyses the Company's financial liabilities, excluding gross settled derivative financial liabilities, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	12-60 months $'000
At 30 June 2015				
Payables	2,021	-	-	-
Tax payable	-	-	74	-
Borrowings	-	-	-	25,935
Total financial liabilities	**2,021**	**-**	**74**	**25,935**
At 30 June 2014				
Payables	563	-	-	-
Total financial liabilities	**563**	-	-	-

(e) Fair values of financial assets and financial liabilities

The carrying amounts of the Company's financial assets and financial liabilities in the Statement of Financial Position are all at fair value.

For the years ended 30 June 2015 and 30 June 2014, the Company did not have any financial assets and financial liabilities that were determined using valuation techniques. The fair values of the Company's financial assets and liabilities for the years then ended were determined directly, in full, by reference to quoted prices from the Australian Securities Exchange. Financial asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

The Company held $159,366,000 (2014: $175,683,000) Level 1 and $24,503,000 (2014: nil) Level 2 Financial Assets and Liabilities as at 30 June 2015. Level 2 Assets are investments in unlisted managed funds that are valued at redemption value calculated in accordance with market principles.

(f) Sensitivity

A 10% change (increase or decrease) in the market price across all shares held within the Company's investment portfolio would deliver a corresponding change to the profit after tax of the consolidated entity of $12.9m (2014: $12.3m).

NOTE 4: REVENUE

	2015 $'000	2014 $'000
Revenue comprises		
Dividends	**5,950**	4,870
Interest	**350**	140
Management fees from external clients for funds management services	**3,334**	1,962
	9,634	6,972
Other income comprises		
Revaluation on stepped acquisition of subsidiary	**-**	871
Other income	**-**	48
	-	919

NOTE 5: INCOME TAX

	2015 $'000	2014 $'000
(a) Components of tax expense:		
Underprovision of prior year tax	**82**	-
Current tax	**77**	-
Deferred tax	**(2,517)**	9,101
	(2,358)	9,101
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before tax from continuing operations	**(3,093)**	41,631
Total profit/loss before income tax	**(3,093)**	41,631
Prima facie income tax payable on profit before income tax at 30% (2014: 30%)	**(928)**	12,489
Less tax effect of:		
- dividend income	**(1,315)**	(20)
- S40.880 deductions	**-**	(25)
- tax losses not previously brought to account in controlled entity	**(197)**	(3,343)
Underprovision of prior year tax	**82**	-
Income tax expense/(benefit) attributable to profit	**(2,358)**	9,101
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	**822**	2,983
Accruals	**260**	246
	1,082	3,229
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit and loss	**(9,451)**	(14,181)
Income assessable in the future	**(154)**	(88)
	(9,605)	(14,269)
Net deferred tax liability	**(8,523)**	(11,040)
(c) Income tax expense/(benefit) included in tax payable comprises		
Opening balance	**-**	-
Under provision from prior year	**82**	-
Current year tax	**77**	-
Tax payments	**(85)**	-
	74	-
(d) Deferred income tax expense/(benefit) included in income tax expense comprises		
Increase/(decrease) in deferred tax assets	**2,147**	4,963
Increase/(decrease) in deferred tax liabilities	**(4,664)**	4,138
	(2,517)	9,101
(e) Deferred tax asset of controlled entity not previously brought to account		
Revenue tax losses	**16,621**	16,818

NOTE 6: DIVIDENDS

	2015 $'000	2014 $'000
(a) Dividends paid or declared		
Interim dividend paid for current financial year at $0.04 per share 50% franked at 30% tax rate (2014: $0.04 per share 25% franked at 30% tax rate)	**6,355**	6,020
Final dividend paid for previous financial year at $0.046 per share 50% franked (2014: $0.04 per share 50% franked)	**7,252**	6,258
	13,607	12,278

The final dividend for the year ended 30 June 2015 has not yet been declared.

(b) Franking account		
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and franking debits arising from payment of proposed dividends.	**502**	1,589

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank and on deposit	**10,486**	6,023
	10,486	6,023

NOTE 8: RECEIVABLES

Trade receivables	**704**	706
Other receivables	**2,074**	1,648
	2,778	2,354

NOTE 9: INVESTMENTS

Financial assets at fair value through profit and loss		
Shares in listed entities	**159,366**	175,683
Units in managed funds	**24,503**	-
Investments at fair value through profit and loss	**183,869**	175,683

NOTE 10: PROPERTY, PLANT & EQUIPMENT

Plant & Equipment		
At cost	**266**	266
Accumulated depreciation	**(231)**	(220)
	35	46

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

Plant & Equipment		
Carrying amount at beginning of year	**46**	-
Additions through acquisition of subsidiaries	**-**	62
Depreciation expense	**(11)**	(16)
Carrying amount end of year	**35**	46

NOTE 11: INTANGIBLE ASSETS

	2015 $'000	2014 $'000
Goodwill		
At cost	**9,851**	9,851
Accumulated impairment loss	**(396)**	(396)
	9,455	9,455
Reconciliation		
Carrying amount at beginning of year	**9,455**	-
Additions through business combination	**-**	9,851
Impairment charge	**-**	(396)
Carrying amount end of year	**9,455**	9,455

NOTE 12: PAYABLES

Trade payables	**1,025**	260
Other payables	**996**	303
	2,021	563

NOTE 13: PROVISIONS

Employee entitlements	**507**	468
Earn-out payments	**101**	182
	608	650

NOTE 14: BORROWINGS

There were 26,500 convertible notes outstanding at 30 June 2015 each with a face value of $100 which were issued on 24 December 2014. These notes carry an interest entitlement of 5.5 per cent per annum. They may be converted at the option of the holder into ordinary shares based on a conversion price of $1.30 per share until 31 March 2020. Notes not converted will be redeemed at their face value on 31 March 2020. At 30 June 2015, the face value of the convertible notes on issue was $26.5 million (2014: nil). Terms of the notes are regulated under a trust deed between the Company and Equity Trustees Limited.

Face value of convertible notes	**26,500**	-
Less raising costs	**(625)**	-
Add amortisation of costs for current period	**60**	-
Unsecured convertible notes at amortised cost	**25,935**	-

NOTE 15: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

Ordinary shares fully paid	**159,966,296**	157,683,993

Fully paid ordinary shares carry one vote per share and the right to dividends.

(b) Movements in shares on issue

	Parent Equity 2015		Parent Equity 2014	
	No of Shares	**$'000**	**No of Shares**	**$'000**
Beginning of the financial year	**157,638,993**	**189,821**	150,502,289	182,180
Issued during the year:				
– Shares issued acquiring subsidiaries	**-**	**-**	4,909,811	5,430
– Dividend reinvestment scheme	**2,327,303**	**2,496**	2,222,311	2,205
– Shares issued from options exercise	**-**	**-**	4,582	6
End of the financial year	**159,966,296**	**192,317**	157,638,993	189,821

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

(d) Share Options

There are 557,052 options on issue expiring on 30 November 2016 and exercisable into ordinary shares at $1.106 per option (2014: 557,052).

(e) Capital Management

The Company's capital is invested to:

- achieve of a long term real rate of return for investors over and above the return of the S&P/ASX All Ordinaries Accumulation Index;
- deliver the regular payment of dividends; and
- preserve the capital base of the Company.

The Directors have the additional discretion to undertake capital management initiatives such as on-market share buy-back of shares to assist with these investment objectives.

	Notes	2015 $'000	2014 $'000
NOTE 16: RESERVES AND RETAINED EARNINGS			
Dividend reserve	16(b)	**24,005**	37,612
Retained earnings/(Accumulated losses)	16(c)	**(46,860)**	(46,125)

(a) Transactions with non-controlling interest reserve

(i) Nature and purpose of reserve

The reserve was created upon acquisition of the controlled entity by the parent entity to record transactions with non-controlling interests.

(ii) Movements in reserve

Balance at beginning of year	**-**	261
Transfers	**-**	(261)
Balance at end of year	**-**	-

(b) Dividend reserve

(i) Nature and purpose of reserve

Monthly profits and losses are transferred to accumulated losses. Profits are subsequently transferred to the dividend reserve to facilitate dividend payments in accordance with Australian taxation requirements for dividend payments to be sourced from profits.

(ii) Movements in reserve

Balance at the beginning of year	**37,612**	4,334
Transfer from retained earnings/(accumulated losses)	**-**	45,556
Total available for appropriation	**37,612**	49,890
Dividends paid	**(13,607)**	(12,278)
Balance at end of year	**24,005**	37,612

(c) Accumulated losses

Balance at the beginning of year	**(46,125)**	(32,838)
Profits/(Losses) attributable to members of Contango MicroCap Limited	**(735)**	32,530
Transfers to dividend reserve	**(46,860)**	(45,556)
Transfer to transactions with non-controlling interest reserve	**-**	(261)
Balance at end of year	**(46,860)**	(46,125)

NOTE 17: INTERESTS IN SUBSIDIARIES

Subsidiaries of the group	Country of Incorporation	Ownership interest held by the group 2015 %	2014 %
Contango Capital Partners Pty Ltd	Australia	**100**	100
Contango Group Pty Ltd	Australia	**100**	100
Bellwether Partners Limited	Australia	**100**	100
Contango Asset Management Limited	Australia	**100**	100
Contango Group Services Pty Ltd	Australia	**100**	100
Contango Income Generator Limited	Australia	**100**	-

NOTE 18: CASH FLOW INFORMATION

	2015 $'000	2014 $'000
(a) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	**(735)**	32,530
Non-Cash Items		
Unrealised losses/(gains) on financial assets at fair value through profit or loss	**(8,186)**	(39,054)
Equity accounted for loss/(profit) after tax	**-**	443
Unrealised gain on revaluation of acquired subsidiary	**-**	(871)
Impairment loss	**-**	396
Depreciation and amortisation	**71**	16
Changes in assets and liabilities		
Decrease/(increase) in trade receivables	**(424)**	941
Increase/(decrease) in trade and other creditors	**1,458**	(1,179)
Increase in income tax payable	**74**	368
Decrease in provisions	**(42)**	(15)
Increase/(decrease) in deferred income tax liability	**(2,517)**	9,262
Net cash flow from operating activities	**(10,301)**	2,837

(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash at bank and on deposit	**10,486**	6,023
Closing cash balance	**10,486**	6,023

NOTE 19: BUSINESS COMBINATIONS

Current Period - There have been no Business Combinations during the current financial year.

Previous period - Bellwether Partners Limited

On 30 October 2013, the consolidated entity diversified its exposure to funds management by acquiring 100% of the boutique funds management firm, Bellwether Partners Limited for consideration of $100,000 in cash.

Details of the transaction were:

	$'000
Initial consideration	100
Contingent earn-out (refer Note 21)	202
Total consideration	302

	Recognised on acquisition at fair value
Assets and liabilities acquired	**$'000**
– Cash	2
– Trade receivables	65
– Other assets	22
– Trade and other creditors	(110)
– Provisions	(73)
Net identifiable liabilities acquired	(94)
Goodwill	396

Goodwill is not deductible for tax purposes.

NOTE 19: BUSINESS COMBINATIONS (continued)

Purchase consideration – cash outflow	**$'000**
Consideration paid, net of cash acquired*	100
Less: Cash balances acquired	
Cash	2
Bank Overdraft	-
Net cash balance acquired	2
Outflow of cash – investing activities	98

*Consideration paid of $302,000 includes $202,000 provision for earn-out, refer Note 21 – Contingencies (i). During the year ended 30 June 2015, $101,000 of this provision was paid.

Contractual amounts
The fair value of trade receivables equals the contractual amounts due.

Contribution since acquisition
From the acquisition date until 30 June 2014 Bellwether Partners Limited contributed revenue of $381,919 and a loss after tax of $336,081 which is included within the consolidated profit. Had the combination occurred from the beginning of the year, the revenue contributed to the consolidated entity would have been $607,541 and the operating loss after tax would have been $482,442.

Previous period - Contango Group Pty Ltd
At the Company's Annual General Meeting, shareholders approved the acquisition of the 50.004% of Contango Group Pty Ltd that it did not already own. The acquisition was completed on 30 November 2013, for net consideration of $5,430,251 which was funded through the issue of 4,909,811 ordinary shares in the Company.

Contango Group Pty Ltd is the parent company of the Company's investment manager, Contango Asset Management Limited.

Details of the transaction were:

	$'000
Shares issued as consideration	5,430
Total consideration#	5,430

Consideration includes contingent consideration with a fair value at acquisition of nil. A contingent liability has been disclosed at Note 21.

4,909,811 shares were issued as part of the consideration. The issue price of $1.106 was based on the volume weighted average price during the month of August 2013 as described within the Annual General Meeting explanatory memorandum.

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value
	$'000
Assets and liabilities acquired	
– Cash	935
– Trade receivables	1,223
– Other assets	350
– Trade and other creditors	(77)
– Provisions	(411)
Net identifiable assets acquired	2,020
Goodwill	9,455

NOTE 19: BUSINESS COMBINATIONS (continued)

The goodwill on acquisition arises as a result of the consideration being above the value of assets acquired. This consideration was determined to be fair and reasonable by an independent expert as outlined within the Explanatory Memorandum provided to shareholders prior to the Company's Annual General Meeting and was approved by shareholders at that meeting on 20 November 2013.

Goodwill is not deductible for tax purposes.

The Company owned 49.996% of Contango Group Pty Ltd which it acquired on 28 June 2013 for $5,150,000. Upon acquiring the 50.004% balance of Contango Group Pty Ltd on 30 November 2013, a gain of $871,000 was recognised as a result of remeasuring the previously held 49.996% equity interest.

Purchase consideration – cash outflow	**$'000**
Consideration paid, net of cash acquired	5,430
Less: Cash balances acquired	
Cash	935
Net cash balance acquired	935
Outflow of cash – investing activities	4,495

Contribution since acquisition

From the acquisition date until 30 June 2014 Contango Group Pty Ltd contributed revenue of $3,699,196 and a profit after tax of $353,500 (before elimination on consolidation of fees from the parent company for management of that company's microcap portfolio). Had the combination occurred from the start of that year, the contributed revenue would have been $5,911,178 and the contributed profit $391,623 (on the same basis).

NOTE 20: COMMITMENTS

The Company regularly commits to underwriting activities in respect of public share issues. At 30 June 2015 the potential financial amount that the Company may be liable for is $0 (2014: $0).
The Company has non-cancellable operating leases contracted for but not capitalised in respect of its premises:

Payable	**30 June 2015**	**30 June 2014**
Not later than one year	**175**	175
Later than 1 year but not later than five years	**583**	700
Later than five years	**-**	58
	758	933

NOTE 21: CONTINGENCIES

As at 30 June 2015, the consolidated entity had the following contingent liabilities resulting from acquisition earn-out arrangements. Acquisition earn-outs:

i. Under the terms of the sale agreement between Contango MicroCap Limited and the vendors of Bellwether Partners Limited that was acquired on 30 October 2013, an amount equal to 3 basis points per annum (0.03%) of the value of funds managed by Bellwether Partners Limited retained since acquisition plus 6 basis points per annum (0.06%) on any new funds acquired by Bellwether Partners Limited is payable to the vendors. Based on current valuations, this amounts to approximately $101,000 over the remaining term of the agreement.

ii. Under the terms of the sale agreement between Contango MicroCap Limited and the vendors of the 50.004% of Contango Group Pty Ltd that was acquired on 30 November 2013, an amount equal to 75% of the net fee revenue from growth in new funds managed by Contango Asset Management Limited between 1 December 2013 and 30 November 2016 is payable to those vendors. As at 30 June 2015, there had been no new net growth that gave rise to any liability under this arrangement. An accurate value of this liability is not possible at this stage of the arrangement.

NOTE 22: EARNINGS PER SHARE	**2015 $'000**	**2014 $'000**
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations	**(735)**	32,530
Profit used in calculating basic earnings per share	**(735)**	32,530
Earnings used in calculating diluted earnings per share	**(735)**	32,530

	2015 No of Shares	**2014 No of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	158,937,215	154,467,291
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**158,937,215**	154,467,291

NOTE 23: DIRECTORS & EXECUTIVES COMPENSATION	**2015 $'000**	**2014 $'000**
Compensation by category		
Short-term employment benefits	**1,183**	**822**
Post-employment benefits	**71**	**56**
Termination benefits	**-**	**-**
Other long-term benefits	**-**	**-**
Share-based payments	**-**	**-**
	1,254	**878**

NOTE 24: AUDITOR'S REMUNERATION

Amounts paid and payable to Pitcher Partners for:		
Audit and other assurance services		
Audit and review of financial reports	**69**	65
Other assurance services	**64**	-
Total remuneration for audit and other assurance services	**133**	65
Other non-audit services		
Taxation services	**-**	29
Total remuneration for non-audit services	**-**	29
Total remuneration of Pitcher Partners	**133**	94

NOTE 25: RELATED PARTY DISCLOSURES

During the year, as part of its normal payment of dividends on its shares and interest on the convertible notes the Company made payments to related parties that held shares and convertible notes in Contango MicroCap Limited (CTN). Dividend amounts of $2,000 were paid to Mark Kerr (2014: nil); $158,332 to David Stevens (2014: 104,298); and $50,577 to Glenn Fowles (2014: $25,758). Convertible note interest of $446 was paid to Mark Kerr (2014: nil). Messrs Kerr, Stevens and Fowles are all directors of the Company.

NOTE 26: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Contango MicroCap Limited, financial statements:

(a) Summarised statement of financial position	**2015 $'000**	**2014 $'000**
Assets	**205,532**	161,806
Liabilities	**44,883**	14,772
Net assets	**160,649**	147,034
Equity	**160,649**	147,034

(b) Summarised statement of comprehensive income		
Profit/(loss) for the year	**(1,606)**	(1,744)
Other comprehensive income for the year	**-**	-
Total comprehensive income/(loss) for the year	**(1,606)**	(1,744)

(c) Parent entity guarantees, contingencies, and contractual commitments

The contingencies outlined in Note 21 relate to the parent entity except where otherwise stated (2014: nil).

NOTE 27 SEGMENT INFORMATION

(a) Description of segments

The consolidated entity has 2 reportable segments as described below:

- Microcap investment portfolio – this segment represents the contribution of the investment portfolio of listed stocks from the microcap sector of the Australian share market which is managed by Contango Asset Management Limited – a wholly owned subsidiary of the Company. Direct costs of these activities are borne directly by the investment portfolio with a management fee charged by Contango Asset Management Limited. This fee is eliminated on consolidation.

- Funds management activities – this segment covers the management of investment portfolios for wholesale clients. This includes clients external to the Company as well as the microcap portfolio described above. All staff costs incurred within the consolidated entity are incurred within this segment.

NOTE 27 SEGMENT INFORMATION (continued)

(b) Segment Information

30 June 2015	**MicroCap Investment Portfolio**	**Funds Management Activities**	**Total**
	$'000	**$'000**	**$'000**
Segment revenue			
Total segment revenue	2,536	5,621	8,157
Inter-segment revenue	-	(2,258)	(2,258)
Segment revenue from external source	2,536	3,363	5,899
Segment result			
Total segment result	(1,606)	871	(735)
Total result	(1,606)	871	(735)
Total segment assets	203,124	3,499	206,623
Total segment liabilities	36,904	257	37,161
30 June 2014			
Segment revenue			
Total segment revenue	45,638	4,082	49,720
Inter-segment revenue	-	(1,337)	(1,337)
Segment revenue from external source	45,638	2,745	48,383
Unallocated revenue			871
Segment result			
Total segment result	32,095	7	32,102
Unallocated result	-	-	428
Total result	31,652	7	32,530
Total segment assets	190,914	2,647	193,561
Total segment liabilities	12,000	253	12,253

NOTE 28: SUBSEQUENT EVENTS

On 3 July 2015, a subsidiary of the Company, Contango Income Generator Limited (ASX code: "CIE"), lodged a prospectus with the Australian Securities and Investments Commission as an initial public offering of shares proposing to list on ASX.

The offer for shares opened on 7 July 2015 and closed on 31 July 2015 with $71,451,000 subscribed including $30m by the Company as a foundation shareholder. CIE successfully listed on 14 August 2015.

CIE's investment manager is Contango Asset Management Limited ("CAML") and it will be entitled to a management fee of 0.95% per annum on the value of CIE's investment portfolio - adding approximately $670,000 to CAML's (and the Company's consolidated) annual revenue.

There has been no other matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2015, of the Company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2015, of the Company.

NOTE 29: DEED OF CROSS GUARANTEE

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- Contango MicroCap Limited (Holding Entity and Trustee)
- Contango Asset Management Limited (Alternative Trustee)
- Contango Capital Partners Pty Ltd (Group Entity)

Pursuant to ASIC Class Order 98/1418 (as amended), the Group Entity is relieved from the *Corporations Act 2001* requirement to prepare a financial report and director's report.

The Deed of Cross Guarantee was put in place on 21 May 2014.

A consolidated statement of comprehensive income and a consolidated statement of financial position for the year ended 30 June 2015, comprising the above parties to the deed which represent the "closed group" are set out below:

(a) Consolidated Statement of Comprehensive Income of the closed group	**2015 $'000**	**2014 $'000**
Revenue and other income		
Revenue	6,298	5,010
Fair value gain/(loss) on financial assets through profit and loss	(3,735)	40,897
Other income	2,894	2,500
	5,457	**48,407**
Less:		
Management fees	-	(468)
Employee benefits expense	-	(2,309)
Depreciation and amortisation expense	(11)	(16)
Other administration expenses	(8,415)	(3,183)
	(8,426)	**(5,976)**
Add:		
Share of net losses of associate accounted for using the equity method	-	(443)
Profit before income tax	**(2,969)**	**41,988**
Income tax expense	(2,358)	9,101
Total comprehensive income for the year	**(611)**	**32,887**

(b) Summary of movements in consolidated reserves and accumulated losses of the closed group		
Balance at the beginning of the year	(8,158)	(28,766)
Profit for the year	(611)	32,887
Dividend paid	(13,607)	(12,279)
Balance at end of year	**(22,376)**	**(8,158)**
(c) Consolidated Statement of Financial Position of the closed group		
ASSETS		
Cash and cash equivalents	10,265	5,370
Receivables	2,668	2,312
Investments at fair value	183,870	175,683
Goodwill	9,455	9,455
Subsidiaries	330	396
Property, plant and equipment	35	46
Total assets	**206,623**	**193,263**
LIABILITIES		
Payables	2,049	560
Tax payable	175	560
Borrowings	25,935	560
Deferred tax liabilities	8,522	11,040
Total liabilities	**36,681**	**11,600**
NET ASSETS	**169,942**	**181,663**
EQUITY		
Contributed capital	192,318	189,821
Reserves and accumulated losses	(22,376)	(8,158)
Total equity	**169,942**	**181,663**

The directors declare that the financial statements and notes set out on pages 17 to 42 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of Contango MicroCap Limited as at 30 June 2015 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Contango MicroCap Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

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

Mark Kerr

Mark Kerr
Director
Melbourne
20 August 2015

PITCHER PARTNERS

CONTANGO MICROCAP LIMITED
ABN 47 107 617 381
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CONTANGO MICROCAP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Contango Microcap Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PITCHER PARTNERS

CONTANGO MICROCAP LIMITED
ABN 47 107 617 381
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CONTANGO MICROCAP LIMITED

Independence

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

Opinion

In our opinion:

(a) the financial report of Contango Microcap Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 15 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Contango Microcap Limited and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

N R BULL
Partner

20 August 2015

PITCHER PARTNERS
Melbourne

The Company was incorporated as a limited liability company in Victoria on 27 November 2003. The Company is a Listed Investment Company with its securities listed only on the Australian Stock Exchange.

Registered office
Level 27
35 Collins Street
Melbourne Victoria 3000
Telephone (03) 9222 2333

Directors
Mark G Kerr (Chairman)
Ian N Ferres
David I Stevens
Glenn Fowles

Company secretary
Glenn Fowles

Auditor
Pitcher Partners
Level 19
15 William Street
Melbourne Victoria 3000

Investment custodian
National Australia Bank Limited
500 Bourke Street
Melbourne VIC 3000

Share registrar
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Telephone 1300 850 505

A. SECURITY HOLDINGS DATA

Top 20 registered security holders

As at 31 July 2015 the twenty largest holders of the Company's ordinary shares and convertible notes are listed below:

Rank	Shareholder Name	Shares	%
1	MR VICTOR JOHN PLUMMER	3,300,000	2.06
2	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,860,801	1.79
3	RBC INVESTOR SERVICES AUST NOMS P/L <WAM ACCOUNT>	2,815,558	1.76
4	LONCETA PTY LTD <HANCOCK SUPER FUND A/C>	1,629,572	1.02
5	DAVID IAN STEVENS	1,403,839	0.88
6	BECK HAVAS PTY LTD <THE HAVAS FAMILY S/F A/C>	1,250,000	0.78
7	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	871,456	0.54
8	LORD MAYOR'S CHARITABLE FUND	865,000	0.54
9	CLIMAX SUPER PTY LTD <CLIMAX SUPERFUND A/C>	762,029	0.48
10	DR SJ & MRS SJ AHERN <THE TRITON SUPER FUND A/C>	760,207	0.48
11	MR JVC & MRS SL GUEST <GUEST FAMILY SUPER FUND A/C>	682,250	0.43
12	MR CA GREEN + MR D FLOWERS <GREEN FLOWERS S/FUND	672,902	0.42
13	G H KLUGE & SONS LTD	600,000	0.38
14	MARIELLE PTY LTD <SEEKERS SUPER FUND A/C>	592,880	0.37
15	ANGUS MAC PTY LTD	590,418	0.37
16	MR DG & MRS GE MACKENZIE	496,500	0.31
17	LYN SUSAN LAISTER	492,215	0.31
18	EST MR BRUCE DESMOND ANDREWS	486,499	0.30
19	JFR INVESTMENTS PTY LTD <SUPER FUND A/C>	436,755	0.27
20	MR JAMES VINCENT CHESTER GUEST	435,433	0.27
	TOTAL TOP 20 SHAREHOLDERS	**22,004,314**	**13.76**

Rank	Noteholder Name	Notes	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,583	11.92
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	20,353	7.68
3	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	18,500	6.98
4	UBS NOMINEES PTY LTD	17,500	6.6
5	CITICORP NOMINEES PTY LIMITED	12,500	4.72
6	THE POLICE ASSOCIATION	10,000	3.77
7	KOOYONGKOOT PTY LTD <LAUREN MATHIESON FAMILY A/C>	7,500	2.83
8	AUST EXECUTOR TRUSTEES LTD <DDH PREF INCOME FUND>	4,911	1.85
9	TJMW HOLDINGS PTY LTD <TJMW A/C>	2,950	1.11
10	MR DAMIAN FRANCIS PRETTY	2,494	0.94
11	BJM INCOME INVESTMENTS PTY LTD	2,000	0.75
12	GEMLINE PTY LTD <S & A SIMSON SUPER FUND A/C>	2,000	0.75
13	JAG-BG INVESTMENTS PTY LTD	2,000	0.75
14	JEROBOAM PTY LIMITED	2,000	0.75
15	JPH MANAGEMENT PTY LTD <THE HONORE PORTFOLIO A/C>	2,000	0.75
16	NEW HORIZONS SUPER P/L <NEW HORIZONS S/FUND A/C>	2,000	0.75
17	MR PL & MRS RA POLSON <POLSON FAMILY SUPER A/C>	2,000	0.75
18	CHAPTER TEN PTY LTD <CONEX 2 SUPERFUND A/C>	1,950	0.74
19	MR CN & MRS W BELLAMY <CWB SUPER FUND A/C>	1,750	0.66
20	ELM SUPER PTY LTD <ELM SUPER FUND A/C>	1,750	0.66
	TOTAL TOP 20 NOTEHOLDERS	**147,741**	**55.75**

There were no substantial shareholders advised to the Company at 31 July 2015.

Range of security holders

At 31 July there were 5,947 holdings of ordinary shares and 301 holders of March 2015 5.5% unsecured convertible notes. These holdings were distributed as follows:

	Share holdings	Note holdings
1 - 1,000	462	272
1,001 - 5,000	1,244	22
5,001 - 10,000	1,220	2
10,000 - 100,000	2,806	5
100,000 and over	215	0
Total holders	**5,947**	**301**
Average holding size	**26,899**	**880**

There were 197 shareholdings of less than a marketable parcel of $500 (466 shares) and no noteholders with less than a marketable parcel of 5 notes.

B. ON-MARKET BUY BACK

There was no buy-back activity undertaken during the year.

C. INVESTMENTS AND TRANSACTIONS

As at 30 June 2015, the Company held investments in the following companies:

Aeris Environmental Ltd
Anatolia Energy Limited
Affinity Education Group Limited
Automotive Holdings Group Limited
Altium Limited
Austal Limited
Australasian Wealth Invts Limited
Attila Resources Limited
BT Investment Management Limited
Capitol Health Limited
Catapult Group International Ltd
Codan Limited
CTI Logistics Limited
Corporate Travel Mgmnt Limited
Ensogo Limited
Enero Group Limited
Elanor Investors Group
Empired Ltd
ERM Power Limited
Evolve Education Group Limited
Freedom Foods Group Limited
GBST Holdings Limited
Garda Diversified Property Fund
Godfreys Group Limited
Gpt Metro Office Fund
Gentrack Group Limited
HUB24 Limited
Icar Asia Limited
Indoor Skydive Aust Grp Limited
Infomedia Ltd
IPH Limited
Iproperty Group Limited
Jacana Minerals Limited
Justkapital Litigation Ptnrs Limited
Lindsay Australia Limited
Lifehealthcare Group Limited
Lifestyle Communities Limited
Lovisa Holdings Limited
MBD Energy Limited
Mobile Embrace Limited
Mineral Deposits Limited
Mortgage Choice Limited
Mitula Group Limited
Mayne Pharma Group Limited
NIB Holdings Limited
Orocobre Limited
Otoc Limited
PMP Limited
Praemium Limited
Prime Media Group Limited
Pacific Smiles Group Limited
QMS Media Limited
Saracen Mineral Holdings Limited
Sino Gas & Energy Hldgs Limited
Sandfire Resources NL
SG Fleet Group Limited
Slater & Gordon Limited
Shriro Holdings Limited
Smart Parking Limited
Senex Energy Limited
360 Capital Group
360 Capital Office Fund
Tox Free Solutions Limited
TPI Enterprises Limited
Traffic Technologies Ltd.
Tower Limited
Villa World Limited
Village Roadshow Limited
Webjet Limited
Yowie Group Ltd

D. TRANSACTION DATA

Over the 12 months ended 30 June 2015, the Company executed 411 purchase transactions and 779 sale transactions. The total brokerage paid or accrued during this period was $435,150.