



Contango
MicroCap
Limited



Friday, 22 August 2014

FY14 Results Commentary

To be read in conjunction with the 4E Release and the disclaimer on page 3 of this document

FY14 HIGHLIGHTS for Contango MicroCap Limited (ASX: CTN)

- ▶ Net Profit after tax for the period of \$32.5m
 - This is an increase of \$45m from FY13 [-\$12.6m]
- ▶ CTN declared an FY14 final dividend of 4.6 cents per share (cps)
 - Dividend payment will be 50% franked
 - Ex-dividend date will be 3 September 2014
 - Dividend payment and allocation of shares issued under the dividend reinvestment plan (DRP) occurring on 30 September 2014
- ▶ Dividends attributed to FY14 were 8.6 cps
 - The interim dividend for the year ended 30 June 2014 was 4.0 cps (25% franked). This was paid on 31 March 2014
 - 8.6 cps represents a 10.3% increase over the 7.8 cps attributed to FY13
- ▶ The value of the investments held by CTN was \$175.7m at 30 June 2014
 - Corresponding value at 30 June 2013 was \$136.4m
 - In addition during FY14 the company paid \$12.3m in dividend payments
- ▶ Total Shareholder Return of 13.0% in FY14 [2013: 7.3%]
 - The board notes strong share price appreciation in July and August 2014
- ▶ Strong investment portfolio performance
 - In FY14 the investment return obtained from the company's investment portfolio compared to relevant ASX benchmarks was:

Annual return to 30 June 2014	%
CTN Investment Portfolio	+30.6%
S&P/ASX All Ordinaries Accumulation Index	+17.6%
S&P/ASX Small Companies Accumulation Index	+13.1%
S&P/ASX Emerging Companies Accumulation Index	+14.8%

All are gross returns before the impact of fees, taxes & expenses
Past performance is no guarantee of future performance

- ▶ Positive market outlook for FY15
 - The investment manager maintains a positive outlook for the microcap sector through FY15





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▶ Continuation of company dividend policy

- In line with the dividend policy to pay a minimum of 6%pa of the July 1 NTA value each year, CTN provides shareholders with an indication of the proposed FY15 dividends:

		Amount
FY14 Final	September 2014: DECLARED	4.6 cps
FY15 Interim	March 2015: A minimum of	3.1 cps
FY15 Final	October 2015: A minimum of	3.7 cps

Since declaring its first dividend in December 2004, CTN has declared a total of 79.6cps in dividends to shareholders, amounting to a total payout of over \$89m.

▶ Growth in shareholder base

- At 30 June 2014 CTN had a record number of shareholders at 4,918. Up 502 from 4,416 at 30 June 2013
- Shareholders are keen to enjoy strong returns from the microcap investment portfolio and revenue growth contributed by Contango Asset Management Limited (CAML), the wholly owned manager of the investment portfolio

▶ A leading Listed Investment Company

- CTN has consolidated its position as a leading listed investment company that provides shareholders and investors with diversified exposure to Australian microcap companies, together with reliable income streams from its clearly defined dividend policy
- Our fund manager CAML has proven itself a high quality fund manager able to manage investments in other categories suitable for LIC investors

▶ Continuation of market outperformance in July 2014

- In July 2014 the investment portfolio delivered a gross return of 6.4%
- The underlying investment portfolio has generated a return of 17.4% pa since inception in April 2004 (to 31 July 2014)

▶ Well positioned into FY15

- The company is carrying no debt, possesses a strong balance sheet and is well positioned to take advantage of the positive investment environment for microcap securities and for its manager CAML to broaden its product base

For further information please call Boyd Peters on (03) 9222 2333

Yours sincerely

David Stevens
Managing Director, Contango MicroCap Limited





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MARKET COMMENT

Looking to the year ahead, CTN anticipates solid growth as the economy transitions from mining investment to non-mining investment and consumption. In this environment, we prefer companies that have solid growth profiles and high free cash flow yields while avoiding low growth defensives and pure yield companies. The manager continues to see select opportunities within the microcap space.

NOTES

Dividend policy announcement of 16 April 2010 – annual dividends amounting to a minimum 6%pa of each year's July 1 NTA value - paid twice annually. Reference to any future potential dividend or franking which may be attached are not to be read as either a Formal Declaration or announcement as to when formal declaration will be made. You should only refer to the official declaration of dividend for confirmed details.

Portfolio and index performances identified are of the underlying securities held in the CTN portfolio and before the impact of any fees, taxes and expenses. Past performance is not necessarily indicative of future performance. Other measures of performance to consider include both the Pre and Post-tax NTA value of the investment portfolio and share price performance.

Total shareholder return reflects the growth in share price and dividends paid in the period

DRP information can be found on the dividends page on the CTN website www.contango.com.au

DISCLAIMER

Reference to investment performance or market outlook and positioning does not contain investment recommendations nor provide investment advice.

There may be errors or omissions in the compilation of information for this document. Nothing in this document should over-ride the information provided in the Audited Financial Statements and 4E.

Neither CTN nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested within CTN or any associated product or Fund.

CTN nor Contango Asset Management Limited, ABN 52 085 487 421, AFSL No. 237119 who is the Investment Manager of CTN are not authorised or licensed to provide financial advice. We strongly encourage you to obtain detailed professional advice and to read any relevant offer document in full before making any investment decision.

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Contango
MicroCap
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**CONTANGO MICROCAP LIMITED
ABN 47 107 617 381
and controlled entities**

PRELIMINARY FINAL REPORT / APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2014

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E - Preliminary Final Report

CONTANGO MICROCAP LIMITED (ABN 47 107 617 381) & CONTROLLED ENTITIES (ASX code "CTN")

1. **Reporting period** – for the year ended 30 June 2014, compared with the year ended 30 June 2013
2. **Results for announcement to the market**
 - Revenues from ordinary activities up from -\$7.0m to +\$49.3m
 - Profit from ordinary activities after tax up from -\$12.6m to +\$32.5 m
 - Net profit for the period attributable to members up from -\$12.6m to +\$32.5m

Dividends paid or payable relating to the current year earnings

- Interim dividend for the year ended 30 June 2014 of 4.0 cents per share (25% franked) was paid on 31 March 2014
- Final dividend for the year ended 30 June 2014 of 4.6 cents per share (50% franked) has been declared – ex-date will be 3 September 2014, with dividend payment and allocation of shares issued under the operative dividend reinvestment plan occurring on 30 September 2014.

3. **Statement of Comprehensive Income** – refer attached
4. **Statement of Financial Position** - refer attached
5. **Statement of Cash Flows** - refer attached
6. **Dividends** – during the financial year ended 30 June 2014, the company paid the final dividend for FY13 of 4.0 cents per share (50% franked) amounting to \$6,020,092 and the interim dividend for FY14 of 4.0 cents per share (25% franked) amounting to \$6,258,416.
7. **Dividend reinvestment plan** - the Company's DRP provides for a 3% discount to the Volume Weighted Average Price of ordinary shares for the 4 trading days up to and including record date. The last date for receipt of election notices for participation in the DRP is close of business one day after record date.
8. **Statement of Retained Earnings/(Accumulated Losses)** – refer attached
9. **Net tangible assets per security** – as at 30 June 2014 the NTA was \$1.138 per share (2013: \$1.052).
10. **Control gained over entities during the period**
 - (i) On 30 October 2013, the Company acquired 100% of Bellwether Partners Limited, a boutique funds management firm, for \$100,000 cash.
Total consideration is subject to an earn-out provision which is estimated to be an additional amount of \$202,000 as at 30 June 2014.
 - (ii) At the Company's Annual General Meeting, shareholders approved the acquisition of the 50.004% that it did not already own of Contango Group Pty Ltd (the parent company of

the Company's investment manager – Contango Asset Management Limited). The acquisition was completed on 30 November 2013, for net consideration of \$5,430,251 and was funded through the issue of 4,909,811 ordinary shares in the Company issued at a price of \$1.106 per share.

11. Associates – up until 30 November 2013 (the date when it acquired the remaining 50.004% - refer item 10(ii) above) the Company held a 49.996% interest in Contango Group Pty Ltd which was valued at \$5.15m as at 30 June 2013.

12. Significant information relating to the entity's financial performance and financial position

- The investments of the Company are primarily listed companies on the ASX and have been subject to market value changes that have occurred over the year. Any profit or loss on the revaluation or disposal of investments is taken directly to profit.
- Over the 12 month period ended 30 June 2014 the investment return obtained from the Company's investment portfolio compared to its relevant ASX benchmarks was

CTN investment portfolio return	+30.6%
S&P/ASX Small Companies Accumulation Index	+13.1%
S&P/ASX Emerging Companies Accumulation Index	+14.8%

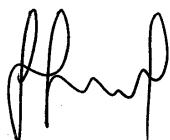
- For the financial year ended 2014, total investment gains were \$41.4m (2013: losses of \$11.8m)
- Securities income and interest earned from investments was \$5.0m for the year (2013: \$4.8m)
- Other income from the acquired businesses was \$2.9m (2013: nil)
- Expenses for the year were \$7.0m (2013: \$5.8m)

13. The financial information provided in this Appendix 4E has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period

- For the financial year ended 30 June 2014 the profit after tax was \$32,530,490 (2013: Loss of \$12,580,434).
- The earnings per ordinary share were +21.0cps (2013: -8.5cps).
- 1,043,709 shares were issued under the dividend reinvestment program applicable to the dividend paid on 24 September 2013 at a price of \$0.980 per share.
- 1,178,602 shares were issued under the dividend reinvestment program applicable to the dividend paid on 31 March 2014 at a price of \$1.003 per share.

15. Audit of the financial report - the financial report is being audited and is not expected to be subject to any qualification.



Glenn Fowles (Company Secretary)

Date: 22 August 2014

CONTANGO MICROCAP LIMITED AND CONTROLLED ENTITIES**ABN 47 107 617 381****Consolidated Statement of Comprehensive Income****For the year ended 30 June 2014**

	2014	2013
	\$'000	\$'000
Revenue and other income		
Revenue	6,972	4,812
Fair value gain/(loss) on financial assets through profit and loss	41,363	(11,810)
Other income	919	-
	49,254	(6,998)
Less:		
Management fees	(468)	(2,175)
Employee benefits expense	(2,607)	-
Depreciation and amortisation expense	(16)	-
Impairment of goodwill	(396)	-
Impairment loss on associate	-	(1,074)
Other administration expenses	(3,549)	(2,561)
	(7,036)	(5,810)
Add:		
Share of net profits/(losses) of associates accounted for using the equity method	(443)	106
Profit/(loss) before income tax	41,775	(12,702)
Income tax benefit/(expense)	(9,245)	121
Net profit/(loss) from continuing operations	32,530	(12,581)
Profit/(loss) for the year	32,530	(12,581)
Total comprehensive income for the year	32,530	(12,581)
Profit/(loss) and total comprehensive income attributable to:		
Members of the parent	32,530	(12,593)
Non-controlling interest	-	12
	32,530	(12,281)
Earnings per share for comprehensive income to the equity holders of the parent entity:		
Basic earnings per share	17	21.0 (8.5)
Diluted earnings per share	17	21.0 (8.5)

CONTANGO MICROCAP LIMITED AND CONTROLLED ENTITIES

ABN 47 107 617 381

Consolidated Statement of Financial Position As at 30 June 2014

	2014 \$'000	2013 \$'000
ASSETS		
Cash and cash equivalents	6,023	12,451
Receivables	2,354	2,478
Investments at fair value	175,683	136,438
Property, plant and equipment	47	-
Goodwill	9,456	-
Equity accounted investments	-	5,150
TOTAL ASSETS	193,563	156,517
LIABILITIES		
Payables	563	1,163
Provisions	652	-
Deferred tax liability	11,040	1,939
TOTAL LIABILITIES	12,255	3,102
NET ASSETS	181,308	153,415
EQUITY		
Contributed capital	189,821	182,180
Reserves	37,622	4,073
Accumulated losses	(46,125)	(32,838)
TOTAL EQUITY	181,308	153,415
Equity attributable to owners of Contango MicroCap Ltd	181,308	153,415

CONTANGO MICROCAP LIMITED AND CONTROLLED ENTITIES**ABN 47 107 617 381****Consolidated Statement of Cash Flows
For the year ended 30 June 2014**

	2014 \$'000	2013 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(7,586)	(4,751)
Management fees	3,690	0
Sale of investments	95,149	151,965
Payment for investments	(93,780)	(137,318)
Dividends received	4,813	4,340
Interest received	167	416
Income tax refund	384	147
Net cash provided by operating activities	2,837	14,799
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries net of cash acquired	(4,628)	(4,340)
Net cash provided by investing activities	(4,628)	(4,340)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from shares issued	7,641	2,059
Dividends paid	(12,278)	(12,664)
Net cash used in financing activities	(4,637)	(10,605)
Net increase / (decrease) in cash and cash equivalents	(6,428)	(146)
Cash and cash equivalents at beginning of year	12,451	12,597
Cash and cash equivalents at end of the year	6,023	12,451

CONTANGO MICROCAP LIMITED AND CONTROLLED ENTITIES**ABN 47 107 617 381****Statement of Retained Earnings/(Accumulated Losses)
For the year ended 30 June 2014**

	2014 \$'000	2013 \$'000
Balance at start of year	(32,838)	(3,247)
Profit/(loss) for year	32,530	(12,593)
Transfer to dividend reserve	(45,556)	(16,998)
Transfer from non-controlling interest reserve	(261)	-
Balance at end of year	<u>(46,125)</u>	<u>(32,838)</u>