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Contango MicroCap Limited
ABN 47 107 617 381

**Interim financial report for the half-
year ended 31 December 2008**

This half-year financial report is to be read in conjunction with the financial report for
the year ended 30 June 2008

Contango MicroCap Limited

ABN 47 107 617 381

Interim financial report for the half-year ended 31 December 2008

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Directors' Report

The directors present their report together with the financial report of Contango MicroCap Limited ("the Company"), for the half-year ended 31 December 2008 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

Directors

The following persons held office as directors of Contango MicroCap Limited during the half-year or since the end of the half-year and up to the date of this report:

David I Stephens (14 January 2004 to current)
Stephen L Babidge (14 January 2004 to current)
William A Laister (14 January 2004 to current)
Glenn Fowles (14 January 2004 to current)

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

There have been no significant changes to the operations of the Company since the previous financial period. The Company continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Company and in accordance with the provisions of the Company Constitution.

The Company's net operating loss after tax for the half-year was \$64,851,209 (2007: \$7,597,070). Basic earnings per share amounted to (5.6) cents per share for the half-year (2007: 9.3 cents).

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the half-year under review.

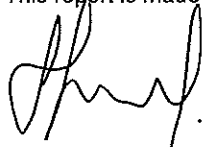
Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report.

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



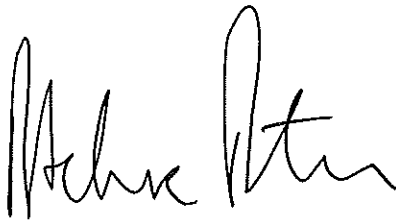
GLENN FOWLES
Director

24 February 2009

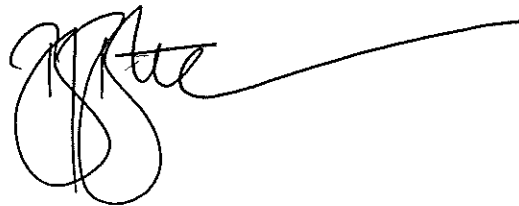
AUDITOR'S INDEPENDENCE DECLARATION**To the Directors of *Contango MicroCap Limited*.**

In relation to the half-year independent review for the six months to 31 December 2008, 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



PITCHER PARTNERS
Melbourne



B J BRITTEN
24 February 2009

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Condensed Income Statement

	Half-year ended	
	31 December 2008 \$'000	31 December 2007 \$'000
Revenue from continuing operations		
Revenue	1,263	457
Other income	1,732	1,616
Fair value gains/(losses) on financial assets through profit and loss	<u>(94,247)</u>	<u>11,693</u>
Total revenue from continuing operations	<u>(91,252)</u>	<u>13,766</u>
Expenses		
Management fees	892	1,220
Performance fees	-	1,434
Other expenses	<u>210</u>	<u>251</u>
Total expenses	<u>1,102</u>	<u>2,905</u>
Profit/(loss) before income tax	<u>(92,354)</u>	<u>10,861</u>
Income tax benefit	<u>(27,503)</u>	<u>(3,264)</u>
Profit/(loss) from continuing operations	<u>(64,851)</u>	<u>7,597</u>
Profit/(loss) for the half-year	<u>(64,851)</u>	<u>7,597</u>
Profit/(loss) attributable to members of Contango MicroCap Limited	<u>(64,851)</u>	<u>7,597</u>
	Cents	Cents
Earnings per share:		
Basic earnings per share	(5.6)	9.3
Diluted earnings per share	(5.6)	9.3

The accompanying notes form part of these financial statements.

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Condensed Balance Sheet

	As at	
	31 December 2008 \$'000	30 June 2008 \$'000
Assets		
Cash and cash equivalents	67,395	45,965
Trade and other receivables	126	2,304
Financial assets held at fair value through profit or loss	33,976	152,794
Deferred tax assets	20,565	-
Total assets	<u>122,062</u>	<u>201,063</u>
Liabilities		
Trade and other payables	379	1,490
Current tax liabilities	-	1,994
Deferred tax liabilities	-	6,936
Total liabilities	<u>379</u>	<u>10,420</u>
Net assets	<u>121,683</u>	<u>190,643</u>
Equity		
Contributed equity	153,484	152,919
Retained earnings	(31,801)	37,724
Total equity	<u>121,683</u>	<u>190,643</u>

The accompanying notes form part of these financial statements.

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Condensed Statement of Changes in Equity

	Notes	Half-year ended 31 December 2008 \$'000	31 December 2007 \$'000
Total equity at the beginning of the half-year		190,643	145,257
Profit / (loss) for the half-year		<u>(64,851)</u>	<u>7,597</u>
Total recognised income and expense for the half-year		<u>(64,851)</u>	<u>7,597</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		-	72,819
Dividend reinvestment		746	-
Share buy-back		(181)	-
Dividends provided for or paid	4	<u>(4,674)</u>	<u>(8,851)</u>
		<u>(4,109)</u>	<u>63,968</u>
Total equity at the end of the half-year		<u>121,683</u>	<u>216,822</u>

The accompanying notes form part of these financial statements.

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Condensed Cash Flow Statement

	Half-year ended	
	31 December 2008 \$'000	31 December 2007 \$'000
Cash flows from operating activities		
Payments to suppliers and employees	(769)	(10,659)
Dividends received	1,746	1,846
Interest received	1,265	270
Income taxes paid	<u>(1,994)</u>	<u>(7,591)</u>
Net cash inflow/(outflow) from operating activities	<u>248</u>	<u>(16,134)</u>
Cash flows from investing activities		
Proceeds from sale of investments	44,792	206,165
Payments for investments	<u>(19,501)</u>	<u>(215,031)</u>
Net cash (outflow) inflow from investing activities	<u>25,291</u>	<u>(8,866)</u>
Cash flows from financing activities		
Proceeds from share issue	746	72,819
Payments for shares bought back	(181)	-
Dividends paid	<u>(4,674)</u>	<u>(3,072)</u>
Net cash inflow/(outflow) from financing activities	<u>(4,109)</u>	<u>69,747</u>
Net increase/(decrease) in cash and cash equivalents	21,430	44,747
Cash and cash equivalents at the beginning of the half-year	<u>45,965</u>	<u>9,244</u>
Cash and cash equivalents at end of the half-year	<u>67,395</u>	<u>53,991</u>

The accompanying notes form part of these financial statements.

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1 Basis of preparation of the half-year financial report

Summary of the significant accounting policies

This general purpose financial report for the half-year reporting period ended 31 December 2008 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Contango MicroCap Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Stock Exchange Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year.

The half-year financial report was authorised for issue by the directors as at the date of the Director's report.

(a) Income taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate (30%) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these 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.

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. At 31 December 2008, the Directors reviewed the recoverability of all Deferred Tax Assets, in particular those associated with unrealised losses, and believe that it is probable that the unrealised losses upon which a Deferred Tax Asset has been recorded will be recovered over the next five years.

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

2 Segment information

The Company is organised into one main segment which operates solely in the business of investment management within Australia. Consequently, no segment reporting is provided in the Company's financial statements.

3 Equity securities issued

	Half-year ended 31 December 2008 No. of shares	Half-year ended 31 December 2007 No. of shares	Half-year ended 31 December 2008 \$'000	Half-year ended 31 December 2007 \$'000
Share placement	-	2,300,000	-	4,890
Dividend reinvestment - final dividend	671,832	243,484	746	540
Rights issue	-	38,117,446	-	66,671
Share placement	-	410,000	-	718
Share buy-back	(273,433)	-	(181)	-
TOTAL	398,399	41,070,930	565	72,819

4 Dividends

	Half-year ended	
	31 December 2008 \$'000	31 December 2007 \$'000
Dividends paid during the half-year:		
Ordinary Shares	4,674	8,851

5 Significant items

	Half-year ended	
	31 December 2008 \$'000	31 December 2007 \$'000
(i) Revenue		
Dividends	1,732	1,616
Interest	1,263	457
Gain/(loss) on investments	(94,247)	11,693
	(91,252)	13,766
(ii) Expenses		
Management fees	892	1,220
Performance fee	-	1,434
Other expenses	210	251
	1,102	2,905

6 Events occurring after the balance sheet date

Since 31 December 2008 to the date of this report there has been no event specific to the Company of which the Directors are aware which has had a material effect on the Company or its financial position.

7 Contingent liabilities

Underwriting Commitments

The company occasionally commits to underwriting activities in respect of public share issues. As at 31 December 2008 there was no exposure to these activities.

Investment Management Agreement

The company has entered into a management agreement with Contango Asset Management Limited the Manager for a period of 10 years from 19 January 2004.

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Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 9 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and ;
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial half-year ended on that date;
- (b) 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 is made in accordance with a resolution of the directors.



GLENN FOWLES

Director

Melbourne
24 February 2009

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Contango MicroCap Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Contango MicroCap Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Contango MicroCap Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Contango MicroCap Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



PITCHER PARTNERS
Melbourne



B J BRITTEN
24 February 2009