

## 1. Company details

Name of entity:	Microequities Asset Management Group Limited
ABN:	17 110 777 056
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

## 2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 16 'Leases' for the half-year ended 31 December 2019. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

			\$
Revenues from ordinary activities	down	5.8% to	3,941,599
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	up	83.7% to	1,991,489
Profit for the half-year attributable to the owners of Microequities Asset Management Group Limited	up	83.7% to	1,991,489

### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019 paid on 5 September 2019	1.000	1.000

On 13 February 2020, the directors declared a fully franked interim dividend for the year ending 30 June 2020 of 1 cent per ordinary share with record date of 21 February 2020 and a payment date of 6 March 2020.

### Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,991,489 (31 December 2018: \$1,084,265).

Refer to the Chief Executive Officer's report for detailed commentary on the results.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>7.25</u>	<u>6.59</u>

The net tangible assets per ordinary security is calculated based on 130,336,158 ordinary shares on issue as at 31 December 2019 (excluding 2,637,776 treasury shares). The previous period net tangible assets per ordinary security is calculated based on 130,399,158 ordinary shares (excluding 2,637,776 treasury shares) as at 30 June 2019.

#### 4. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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#### 5. Attachments

*Details of attachments (if any):*

The Interim Report of Microequities Asset Management Group Limited for the half-year ended 31 December 2019 is attached.

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#### 6. Signed



Signed \_\_\_\_\_

Date: 13 February 2020

Leslie Szekely  
Chairman  
Sydney

# **Microequities Asset Management Group Limited**

**ABN 17 110 777 056**

**Interim Report - 31 December 2019**

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Dear Fellow Shareholders,

The unsustainability between the marked to market pricing of some of our investee companies and their intrinsic valuations that we outlined in the FY19 report was subsequently followed with unprecedented merger and acquisition activity ('M&A') within our investment funds. This M&A activity helped deliver strong marked to market performance for our investment funds. Our Funds Under Management ('FUM') has risen from \$340.1 million as at the close of FY19 (30 June 2019) to \$386.4m as at 31 December 2019. Excitingly, outside of those investee companies that became subject to takeover activity many other companies within our portfolios remain significantly undervalued and present compelling investment opportunities for our clients. Those opportunities will lay the foundation for future investment performance. On the back of our strong marked to market investment performance FUM inflow/outflow patterns have continued to improve and we enter the second half of FY20 with notable business momentum.

Summary Profit or Loss Statement (\$'000's unless stated)	31 Dec. 2019	31 Dec. 2018	% change
<b>Funds Under Management (\$million)</b>	<b>386.4</b>	<b>369.0</b>	<b>+5%</b>
<b>Operating profit from investment management</b>			
Recurring Revenue <sup>1</sup>	3,040.7	3,418.9	-11%
Ongoing Operating Expenses <sup>2</sup>	-1,427.8	-1,590.8	+10%
Operating profit from recurring revenue	1,612.9	1,828.1	-12%
Performance fee Income	750.5	591.1	+27%
Interest revenue and other income	150.4	176.0	-15%
Other income and gains/(loss) on investments	651.2	(267.0)	+344%
Employee share-based payment expense	(219.8)	(610.2)	+64%
Tax expense	(816.5)	(487.6)	-67%
Profit attributable to non-controlling interesting	(137.2)	(146.1)	+6%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group	1,991.5	1,084.3	+84%
Client Numbers (units)	745	818	-9%
Ongoing operating expenses to recurring revenue	42.6%	46.5%	+4%

<sup>1</sup> Represents management fees

<sup>2</sup> Excludes costs related to the employee share-based payment expense

### Industry dynamics

Structurally, we believe the Australian Smallcap and Microcap asset class has become more pricing inefficient over the last 24 months. This is due to passive and quantitative funds increasing their ownership share of the asset class and many active managers either shutting down product lines or closing their business. We have also observed less sell side research production and coverage scope. These structural changes are a long term positive for our business given value investing is at the epicentre of our capital allocation process and will provide a deep well of investment opportunities for our funds and clients over the long term.

### January 2020 trading and balance sheet

We are pleased to report that January trading was strong and delivered the strongest monthly profit for the financial year to date with an unaudited, unreviewed profit before tax of close to \$1 million (based on management accounts). This figure includes income from performance fees which are volatile and unpredictable in nature. Our balance sheet remains extremely solid and net assets grew from \$8.6 million as at 30 June 2019 to \$9.5 million as at 31 December 2019. The investment management team has identified \$22 million worth of investment opportunities inside our funds and we are actively seeking new fund inflows to capitalise on those opportunities. Given the attractiveness of these investment opportunities we will look to deploy balance sheet capital alongside our investors to capture these opportunities.

**Dividends**

The board of Microequities Asset Management Group Limited is pleased to declare a one cent per share fully franked dividend. The dividend payment is consistent with the dividend policy of the company, which is to pay between 70% to 100% of the cash operating profit from the investment management operations.

**Outlook for the rest of FY20**

With a strong start to the second half of FY20, increasing business momentum and a significant array of investment opportunities before us we believe the business is well positioned to add value to both our clients and shareholders.



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Carlos Gil  
Chief Executive Officer, Chief Investment Officer

13 February 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Microequities Asset Management Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

### Directors

The following persons were directors of Microequities Asset Management Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Leslie Szekely - Chairman  
Craig Shapiro  
Carlos Gil  
Samuel Gutman

### Principal activities

During the financial half-year the principal continuing activities of the Group consisted of the management of investment funds.

### Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,991,489 (31 December 2018: \$1,084,265).

Refer to the Chief Executive Officer's report for further commentary on the review of operations.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Leslie Szekely  
Chairman

13 February 2020



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Carlos Gil  
Chief Executive Officer

**DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF MICROEQUITIES ASSET MANAGEMENT GROUP LIMITED**

As lead auditor for the review of Microequities Asset Management Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Arthur Milner  
Director

**BDO Audit Pty Ltd**

Sydney, 13 February 2020



**Microequities Asset Management Group Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**



	Note	Consolidated 31 Dec 2019 \$	31 Dec 2018 \$
<b>Revenue from contracts with customers</b>	4	3,913,721	4,118,471
Other income and gain/(loss) on investments	5	651,191	(267,009)
Interest revenue calculated using the effective interest method		27,878	67,566
<b>Expenses</b>			
Employee benefits expenses		(1,165,243)	(1,710,027)
Depreciation and amortisation expense		(132,072)	-
Legal and professional expenses		(23,422)	(60,930)
Advertising expenses		(37,576)	(80,240)
Occupancy expenses		-	(153,998)
Other expenses		(285,189)	(195,801)
Interest Expense		(4,036)	-
<b>Profit before income tax expense</b>		2,945,252	1,718,032
Income tax expense		(816,522)	(487,632)
<b>Profit after income tax expense for the half-year</b>		2,128,730	1,230,400
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year</b>		<u>2,128,730</u>	<u>1,230,400</u>
Profit for the half-year is attributable to:			
Non-controlling interest		137,241	146,135
Owners of Microequities Asset Management Group Limited		1,991,489	1,084,265
		<u>2,128,730</u>	<u>1,230,400</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		137,241	146,135
Owners of Microequities Asset Management Group Limited		1,991,489	1,084,265
		<u>2,128,730</u>	<u>1,230,400</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	12	1.53	0.83
Diluted earnings per share	12	1.51	0.83

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Microequities Asset Management Group Limited  
 Consolidated statement of financial position  
 As at 31 December 2019



		Consolidated	
	Note	31 Dec 2019 \$	30 Jun 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,336,991	4,680,498
Trade and other receivables		1,158,899	673,955
Other		117,616	114,968
<b>Total current assets</b>		<u>5,613,506</u>	<u>5,469,421</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	4,976,408	3,907,025
Right-of-use assets	6	264,142	-
Deferred tax		35,130	216,804
<b>Total non-current assets</b>		<u>5,275,680</u>	<u>4,123,829</u>
<b>Total assets</b>		<u>10,889,186</u>	<u>9,593,250</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	478,706	409,518
Lease liabilities		266,652	-
Income tax		435,350	333,330
Employee benefits		233,090	229,282
<b>Total current liabilities</b>		<u>1,413,798</u>	<u>972,130</u>
<b>Non-current liabilities</b>			
Employee benefits		24,970	22,676
<b>Total non-current liabilities</b>		<u>24,970</u>	<u>22,676</u>
<b>Total liabilities</b>		<u>1,438,768</u>	<u>994,806</u>
<b>Net assets</b>		<u>9,450,418</u>	<u>8,598,444</u>
<b>Equity</b>			
Issued capital	9	2,616,735	2,645,634
Reserves		540,713	320,960
Retained earnings		6,292,960	5,631,840
Equity attributable to the owners of Microequities Asset Management Group Limited		<u>9,450,408</u>	<u>8,598,434</u>
Non-controlling interest		10	10
<b>Total equity</b>		<u>9,450,418</u>	<u>8,598,444</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Microequities Asset Management Group Limited  
 Consolidated statement of changes in equity  
 For the half-year ended 31 December 2019



<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Retained earnings</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 July 2018	2,706,045	327,597	5,747,098	10	8,780,750
Profit after income tax expense for the half-year	-	-	1,084,265	146,135	1,230,400
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>1,084,265</b>	<b>146,135</b>	<b>1,230,400</b>
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	28,680	-	-	-	28,680
Transfer on exercise of options	190,139	(190,139)	-	-	-
Share-based payments	-	229,841	-	-	229,841
Share buy-back	(128,877)	-	-	-	(128,877)
Distribution of profits to non-controlling interest	-	-	-	(146,135)	(146,135)
Dividends paid (note 10)	-	-	(1,315,706)	-	(1,315,706)
<b>Balance at 31 December 2018</b>	<b>2,795,987</b>	<b>367,299</b>	<b>5,515,657</b>	<b>10</b>	<b>8,678,953</b>

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Retained earnings</b> \$	<b>Non-controlling interest</b> \$	<b>Total equity</b> \$
Balance at 1 July 2019	2,645,634	320,960	5,631,840	10	8,598,444
Profit after income tax expense for the half-year	-	-	1,991,489	137,241	2,128,730
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>1,991,489</b>	<b>137,241</b>	<b>2,128,730</b>
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	219,753	-	-	219,753
Share buy-back	(28,899)	-	-	-	(28,899)
Distribution of profits to non-controlling interest	-	-	-	(137,241)	(137,241)
Dividends paid (note 10)	-	-	(1,330,369)	-	(1,330,369)
<b>Balance at 31 December 2019</b>	<b>2,616,735</b>	<b>540,713</b>	<b>6,292,960</b>	<b>10</b>	<b>9,450,418</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Consolidated 31 Dec 2019 \$	31 Dec 2018 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	3,740,077	4,692,306
Payments to suppliers and employees (inclusive of GST)	<u>(1,610,407)</u>	<u>(2,548,601)</u>
	2,129,670	2,143,705
Dividends and distributions received	11,762	7,577
Interest received	27,996	69,776
Interest and other finance costs paid	(4,036)	-
Income taxes paid	<u>(532,828)</u>	<u>(1,184,801)</u>
Net cash from operating activities	<u>1,632,564</u>	<u>1,036,257</u>
<b>Cash flows from investing activities</b>		
Payments for investments	<u>(350,000)</u>	<u>(500,000)</u>
Net cash used in investing activities	<u>(350,000)</u>	<u>(500,000)</u>
<b>Cash flows from financing activities</b>		
Payments for share buy-backs	(28,899)	(128,877)
Dividends paid	(1,330,369)	(1,315,706)
Repayment of lease liabilities	(129,562)	-
Distribution of profits to non-controlling entity	<u>(137,241)</u>	<u>(146,135)</u>
Net cash used in financing activities	<u>(1,626,071)</u>	<u>(1,590,718)</u>
Net decrease in cash and cash equivalents	(343,507)	(1,054,461)
Cash and cash equivalents at the beginning of the financial half-year	<u>4,680,498</u>	<u>6,562,576</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>4,336,991</u></u>	<u><u>5,508,115</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover Microequities Asset Management Group Limited as a Group consisting of Microequities Asset Management Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Microequities Asset Management Group Limited's functional and presentation currency.

Microequities Asset Management Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3105, Level 31 Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 February 2020.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

**Note 2. Significant accounting policies (continued)**

	1 July 2019 \$'000
Operating lease commitments as at 1 July 2019 (AASB 117)	408,754
Finance lease commitments as at 1 July 2019 (AASB 117)	-
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4% (AASB 16)	(12,541)
Right-of-use assets (AASB 16)	<u>396,213</u>
Lease liabilities - current (AASB 16)	(261,544)
Lease liabilities - non-current (AASB 16)	<u>(134,669)</u>
Reduction in opening retained profits as at 1 July 2019	<u>-</u>

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Note 3. Operating segments

The main business activities of the Group are the provision of funds management services. The Board of Directors are identified as the Chief Operating Decision Makers ('CODM'), and they consider the performance of the main business activities on an aggregated basis to determine the allocation of resources.

Other activities undertaken by the Group, including investing activities, are incidental to the main business activities.

Based on the internal reports that are used by the CODM the Group has one operating segment being the provision of funds management services with the objective of offering investment funds to wholesale and sophisticated investors. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

The information reported to the CODM is on a monthly basis.

### Note 4. Revenue from contracts with customers

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Management fees	3,040,655	3,418,913
Performance fees	750,518	591,130
Other revenue	122,548	108,428
	<u>3,913,721</u>	<u>4,118,471</u>

#### Disaggregation of revenue

There is no disaggregation of revenue provided, as all revenue is generated in Australia and revenue is recognised over time.

### Note 5. Other income and gain/(loss) on investments

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Dividends and distributions	30,485	20,881
Unrealised gain/(loss) on investments	620,706	(287,890)
	<u>651,191</u>	<u>(267,009)</u>

### Note 6. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Right-of-use assets	396,214	-
Less: Accumulated depreciation	(132,072)	-
	<u>264,142</u>	<u>-</u>

The Group leases offices premises under operating lease expiring on December 2020. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 6. Non-current assets - right-of-use assets (continued)**

Consolidated	Office Premises \$'000
Balance at 1 July 2019	-
Adoption of AASB 16 on 1 July 2019	396,213
Depreciation expense	<u>(132,071)</u>
Balance at 31 December 2019	<u><u>264,142</u></u>

**Note 7. Non-current assets - financial assets at fair value through profit or loss**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Investment in unlisted Australian unit trusts - designated at fair value through profit or loss	<u>4,976,408</u>	<u>3,907,025</u>

Refer to note 11 for further information on fair value measurement.

**Note 8. Current liabilities - trade and other payables**

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Trade payables	125,167	73,453
Accruals and other payables	<u>353,539</u>	<u>336,065</u>
	<u><u>478,706</u></u>	<u><u>409,518</u></u>

**Note 9. Equity - issued capital**

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	132,973,934	133,036,934	3,787,678	3,816,577
Less: Treasury shares	<u>(2,637,776)</u>	<u>(2,637,776)</u>	<u>(1,170,943)</u>	<u>(1,170,943)</u>
	<u><u>130,336,158</u></u>	<u><u>130,399,158</u></u>	<u><u>2,616,735</u></u>	<u><u>2,645,634</u></u>

*Movements in ordinary share capital*

Details	Date	Shares	\$
Balance	1 July 2019	133,036,934	3,816,577
Share buy-back	18 December 2019	(25,000)	(11,220)
Share buy-back	19 December 2019	<u>(38,000)</u>	<u>(17,679)</u>
Balance	31 December 2019	<u><u>132,973,934</u></u>	<u><u>3,787,678</u></u>

*Share buy-back*

During the half-year, the Company bought back 63,000 shares at a cost of \$28,899. The buy-back program is expected to expire on 12 September 2020.



### Note 10. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Final dividend for the year ended 30 June 2019 of 1 cent per ordinary share (2018: 1 cent)	<u>1,330,369</u>	<u>1,315,706</u>

On 13 February 2020, the directors declared a fully franked interim dividend for the year ending 30 June 2020 of 1 cent per ordinary share, to be paid on 6 March 2020 to eligible shareholders on the register as at 21 February 2020. This equates to a total estimated distribution of \$1,329,739, based on the number of ordinary shares on issue as at 31 December 2019. The financial effect of dividends declared after the reporting date are not reflected in the financial statements and will be recognised in subsequent financial statements.

### Note 11. Fair value measurement

#### Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investment in unlisted Australian unit trusts	-	4,976,408	-	4,976,408
Total assets	-	4,976,408	-	4,976,408

Consolidated - 30 Jun 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investment in unlisted Australian unit trusts	-	3,907,025	-	3,907,025
Total assets	-	3,907,025	-	3,907,025

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

#### Valuation techniques for fair value measurements categorised within level 2

#### Investments in unlisted Australian unit trusts

The investments are recorded at fair value determined on the basis of the published unit prices of those unlisted managed investment funds at the reporting date, adjusted where deemed appropriate, to reflect values based on recent actual market transactions.

**Note 12. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	2,128,730	1,230,400
Non-controlling interest	<u>(137,241)</u>	<u>(146,135)</u>
Profit after income tax attributable to the owners of Microequities Asset Management Group Limited	<u>1,991,489</u>	<u>1,084,265</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	130,394,571	130,389,492
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	556,089	518,352
Performance rights over ordinary shares	<u>1,127,433</u>	<u>46,067</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>132,078,093</u>	<u>130,953,911</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	1.53	0.83
Diluted earnings per share	1.51	0.83

The weighted average number of ordinary shares for half-year ended 31 December 2019 does not include 2,637,776 treasury shares (31 December 2018: 2,637,776).

**Note 13. Events after the reporting period**

Apart from the dividend declared as disclosed in note 10, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Leslie Szekely  
Chairman



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Carlos Gil  
Chief Executive Officer

13 February 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Microequities Asset Management Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Microequities Asset Management Group Limited (the company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'AM', with a flourish at the end.

Arthur Milner  
Director

Sydney, 13 February 2020