

1. Company details

Name of entity:	Microequities Asset Management Group Limited
ABN:	17 110 777 056
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	166.8% to	20,251,529
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	up	319.0% to	14,012,711
Profit for the year attributable to the owners of Microequities Asset Management Group Limited	up	319.0% to	14,012,711

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 paid on 4 September 2020	1.0	1.0
Interim dividend for the year ended 30 June 2021 paid on 12 March 2021	2.0	2.0

On 20 August 2021, the directors declared a fully franked final dividend for the year ended 30 June 2021 of 5.0 cents per ordinary share, to be paid on 8 September 2021 to eligible shareholders on the register on 25 August 2021.

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$14,012,711 (30 June 2020: \$3,344,099).

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>15.38</u>	<u>7.36</u>

The net tangible assets per ordinary security is calculated based on 129,841,473 ordinary shares on issue as at 30 June 2021 (excluding 2,057,544 treasury shares). The previous period net tangible assets per ordinary security is calculated based on 130,613,708 ordinary shares (excluding 2,057,544 treasury shares) on issue as at 30 June 2020.

Net tangible assets calculations above include the right-of-use assets and lease liabilities.

4. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

5. Attachments

Details of attachments (if any):

The Annual Report of Microequities Asset Management Group Limited for the year ended 30 June 2021 is attached.

6. Signed

As authorised by the Board of Directors



Signed _____

Date: 20 August 2021

Leslie Szekely
Chairman
Sydney

Microequities Asset Management Group Limited

ABN 17 110 777 056

Annual Report - 30 June 2021

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Dear Fellow Shareholders,

On behalf of the entire team at Microequities Asset Management Group Limited ('Microequities' or the 'Company') I am pleased to provide a set of financial results that represent a record for the Company. Additionally, we have made significant progress bedding down a platform that will set the course for us to achieve our medium-term objectives. The market volatility over the last 24 months has been extraordinary but our focussed commitment to the tenets of our investment doctrine have throughout that extraordinary period remained unshaken and resolute. That discipline has afforded our most important stakeholders, our clients, with a commendable set of long-term returns. In turn the investment performance has provided our shareholders with the self-evident gains below.

Summary of operating and financial results are provided below:

Summary Profit or Loss Statement (\$000's unless stated)	30 Jun 2021	30 Jun 2020	% change
Funds Under Management ('FUM') (\$m)	497.1	341.4	+46%
Recurring Revenue¹	7,190.5	5,842.0	+23%
Ongoing Operating Expenses²	-3,189.6	-2,567.1	-24%
Operating profit from recurring revenue	4,000.9	3,274.8	+22%
Performance fee Income	12,919.9	1,469.6	+779%
Operating profit from investment management	16,920.8	4,744.4	+257%
Interest revenue and other income	559.0	439.7	+27%
Other income and gains/(loss) on investments	2,552.9	93.1	+2642%
Employee share-based payment expense	-676.6	-346.3	-95%
Tax expense	-5,090.1	-1,320.7	-285%
Profit attributable to non-controlling interests	-253.2	-265.9	+5%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	14,012.7	3,344.4	+319%
Client Numbers (units)	765	734	+4%
Ongoing operating expenses to recurring revenue	44.36%	43.94%	-42bps

⁽¹⁾ Represents management fees

⁽²⁾ Excludes costs related to the employee share based payment expense

Financial Year 2021 ('FY21') in review

FY21 saw many of our highly undervalued mark to market investments become the subject of takeovers from both industrial competitors and private equity entities. This crystallised segments of the latent value across our investment offering. The unprecedented intensity of takeover activity drove our investment performance which delivered our clients superb investment performance across our funds. The direct nexus of that investment performance in our operating results is obvious even to the most casual reader. The Company has delivered record results, propelled by performance fees which are unpredictable and non-recurring in nature. Pleasingly however, management fees from our investment funds, which are recurring in nature, rose by +23% Year on Year ('YoY'). That increase was a result of our Funds Under Management rising by +46% YoY due to both investment performance and positive net inflows.

	FY21 Total Return	Outperformance
Microequities Pure Microcap Value Fund*	+72.35%	
ASX All Ordinaries Accumulation Index	+30.24%	+42.11%
ASX Small Ordinaries Accumulation Index	+33.23%	+39.22%

* Microequities Pure Microcap Value Fund FY21 return net of all fees

During FY21 we also increased our team, adding two new members to our investment management team. Additionally, our distribution capability was strengthened with the hire of a senior Chief Relationship Manager to provide added distribution reach for our investment offering. These investments in personnel are expected to deliver well into the future, as both investment management capability and distribution reach are critical to our long-term success.

FY21 Financial performance, record NPAT, record FUM, strong investment performance

Record financial results across all important financial metrics. Our FUM closed FY21 at a Company record \$497.1 million, whilst operating profit from investment management grew by +257% to \$16.9 million, also a Company record. The strong investment performance of our Funds helped drive Performance fee income which grew to \$12.9 million. The NPAT for the Group grew by +319% to \$14.0 million, a superb result for the business. Pleasingly, despite the sizeable increase in personnel and investment to capture further growth we have maintained our operational efficiency relatively flat with operating expenses to recurring revenue only growing slightly to 44.36%.

Dividends

The Board of Microequities Asset Management Group Limited is pleased to declare a five cent per share fully franked final 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.

Balance Sheet strengthened, \$20 million in Net Assets

The strong FY21 operating result as well as strong investment performance from investments has seen the Group's balance sheet further strengthened during FY21 with Net Tangible Assets rising from \$9.6 million in FY20 to \$20.0 million as at the close of FY21. The business remains free of financial debt and has recently deployed balance sheet capital to take advantage of the strong return opportunities available within the Microequities Funds.

FY22 Outlook & Successful launch of new Private Equity Fund

The business has had a strong start to FY22, delivering an operating profit for the month of July of \$2.79 million boosted by continued takeover activity within our investment Funds. While our FY21 results were largely driven by non-recurring performance-based revenue, we are pleased that we have made progress in boosting the recurring revenue base of our business and this puts us in a good position to deliver growth from that source in FY22.

We have been humbled by the strong interest for our new *Private to Beyond the IPO Fund* which has resonated with both existing clients and new clients alike. The theorised industrial synergies of running both public and private equity strategies in unison are already coming to the fore. The investment performance of this Fund will be critical to setting forward a trajectory where Microequities can become a meaningful constructive partner in Australian private companies that can discern the benefits of a long-term friendly partner like us can bring to the table. In both our private and public companies, we are committed, constructive long-term allies that build enduring partnerships with businesses. We have long term ambitions for our private equity strategy but our right of entry to those ambitions will be based on achieving investment success in this first Fund. The investment performance during July plus the successful launch of the *Private to Beyond the IPO Fund* has seen our FUM rise to a new record \$549.8 million as of 31 July 2021.

In FY22 we will continue to review and optimise our marketing efforts, improve the distribution reach of Microequities' Funds, and build on brand awareness and recognition within the high-net-worth client segment that we focus on. We believe we continue to be underrepresented in several segments of the Australian wealth market and we will look to improve our presence there.

We take this occasion to thank our clients, shareholders and colleagues who work tirelessly alongside us as we endeavour to achieve our objectives.



Carlos Gil
Chief Executive Officer, Chief Investment Officer

20 August 2021

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 year ended 30 June 2021.

Directors

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

Leslie Szekely - Chairman
Carlos Gil
Samuel Gutman
Dr Alexander Abrahams

Principal activities

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

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2021	2020
	\$	\$
Final dividend for the year ended 30 June 2020 of 1 cent per ordinary share (2020: 1 cent)	1,326,713	1,330,369
Interim dividend for the year ended 30 June 2021 of 2 cents per ordinary share (2020: 1 cent)	2,641,457	1,329,740
	<u>3,968,170</u>	<u>2,660,109</u>

On 20 August 2021, the directors declared a fully franked final dividend for the year ended 30 June 2021 of 5.0 cents per ordinary share, to be paid on 8 September 2021 to eligible shareholders on the register as at 25 August 2021. This equates to a total estimated dividend of \$6,594,951, based on the number of ordinary shares on issue as at 30 June 2021. 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.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$14,012,711 (30 June 2020: \$3,344,099).

Refer to 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 year.

Matters subsequent to the end of the financial year

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations are contained in the Chief Executive Officer's report.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Leslie Szekely
Title:	Non-Executive Director and Chairman
Qualifications:	Bachelor of Arts, Bachelor of Law from the University of New South Wales and Master of Law from Sydney University
Experience and expertise:	Leslie worked as a solicitor before teaching commercial and revenue law at the University of New South Wales and Sydney University. He was a tax consulting partner with Horwath Chartered Accountants for 20 years, until Horwath merged with Deloitte, when he became Director of Taxation in Deloitte Growth Solutions. Leslie has authored numerous books and articles on taxation law. Since leaving Deloitte in 2008, Leslie has dedicated his time to angel and venture capital ('VC') investing. He is Chairman of the Investment Committee for the Microequities VC Fund and sits on the Boards of several unlisted companies. His focus is the development of business strategy in sectors undergoing digital disruption.
Other current directorships:	No other listed entity directorships
Former directorships (last 3 years):	No other listed entity directorships
Special responsibilities:	Chairperson of the Nomination and Remuneration Committee and Member of the Audit and Risk Management Committee
Interests in shares:	18,947,357 ordinary shares
Interests in options:	None
Interests in rights:	None
Name:	Carlos Gil
Title:	Managing Director, Chief Executive Officer and Chief Investment Officer
Qualifications:	Bachelor of Economics from Sydney University, a Graduate Diploma in Applied Finance and Investment Analysis from the Australian Securities Institute and a Master's in Applied Finance and Investment Analysis from the Financial Services Institute of Australia.
Experience and expertise:	Carlos has worked in stockbroking, funds management, and investment research for over 20 years and has been an individual investor in Australian Microcaps since he was a teenager. Carlos has held various senior management positions in Europe, including roles as Head of International Securities at BM Securities, and at Banesto Bank (Santander Group). Upon his return to Australia, he founded the Company with a long-term vision of creating a value-driven specialist Microcap and Small Cap Fund Manager.
Other current directorships:	Smartpay Holdings Limited (ASX: SMP)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	53,634,560 ordinary shares
Interests in options:	None
Interests in rights:	1,905,516 performance rights

Name: Samuel Gutman
Title: Executive Director and Company Secretary
Qualifications: Bachelor of Arts from the University of Newcastle (Australia) and a Graduate Diploma of Applied Finance and Investments from the Financial Services Institute of Australia
Experience and expertise: Samuel brings a wealth of invaluable pragmatic business experience to the management team obtained through a successful career in the Information Technology industry. Samuel has been a long time personal investor in the Microcap asset class and adamantly shares the investment philosophy of the Microequities team.
Other current directorships: No other listed entity directorships
Former directorships (last 3 years): No other listed entity directorships
Special responsibilities: Member of the Audit and Risk Management Committee
Interests in shares: 23,000,000 ordinary shares
Interests in options: None
Interests in rights: None

Name: Dr Alexander Abrahams
Title: Independent Non-Executive Director
Experience and expertise: Dr Abrahams is the founder of the ASX listed Pacific Smiles Group (ASX: PSQ). Dr Abrahams is also a director of several other private healthcare businesses including Haemokinesis Ltd, an innovative immunohaematology business and Chair of Group Homes Australia Pty Limited. He and his family co-founded the Chair of Lifespan Oral Health at the University of Sydney. Dr Abrahams brings considerable business development expertise and commercial business acumen to the board. Dr Abrahams is a value investor, with long term horizons, focusing on innovative business models with a strong owner/manager mentality. Dr Abrahams is focused on building intergenerational wealth and security and being able to give back.
Other current directorships: None
Former directorships (last 3 years): Non-executive director Pacific Smiles Group (ASX: PSQ) - resigned on 23 July 2020
Special responsibilities: Chairman of the Audit and Risk Management Committee and Member of the Nomination and Remuneration Committee
Interests in shares: 266,008 ordinary shares
Interests in options: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Samuel Gutman is the company secretary. Samuel's experience is detailed in the 'Information on directors' section above.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Leslie Szekely	11	11	2	2	2	2
Carlos Gil	11	11	2	2	-	-
Samuel Gutman	11	11	-	-	2	2
Dr Alexander Abrahams	11	11	2	2	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Nomination and Remuneration Committee ('NRC') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation; and
- transparency.

The NRC is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The NRC has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The NRC has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Non-executive directors each have a letter of appointment with the Group. Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

As prescribed by the Listing Rules of the ASX, the aggregate remuneration of non-executive directors is determined from time to time by shareholders at the general meeting. Non-executive directors' fees (including statutory superannuation) are determined within an aggregate directors' fee pool limit. The pool currently stands at a maximum of \$300,000 per annum in total, which was approved by shareholders on 16 February 2018.

The annual base non-executive director fees payable by the Group are \$45,000 to the chairman and \$40,000 to other non-executive directors, including for any committee roles. These amounts comprise fees paid in cash and are inclusive of statutory superannuation contributions.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the NRC based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits.

No short-term incentive ('STI') payments were made during the year.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares, options or performance rights are awarded to executives over a period of 3 to 4 years based on long-term incentive measures. These include increase in shareholder value, increase in funds under management, performance of the funds and financial performance of the business. The options, performance rights and loan shares vest between 3 and 4 years and are contingent upon employment or service with the Group on the vesting date and the satisfaction of certain vesting conditions.

The NRC reviewed the long-term equity-linked performance incentives specifically for executives during the financial year ended 30 June 2021. Refer to the 'share-based compensation' section below for further details of LTI awards issued by the Group.

Group performance and link to remuneration

LTI comprising of share-based payments are directly linked to the performance of the Group. Performance rights, loan shares and options have various vesting conditions including a continuous period of service with the Group and performance of underlying Funds and the business.

Use of remuneration consultants

During the financial year ended 30 June 2021, the Group did not engage any remuneration consultants.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables. The KMP of the Group consisted of the directors of Microequities Asset Management Group Limited.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Leslie Szekely - Chairman	41,096	-	-	3,904	-	-	45,000
Dr Alexander Abrahams	36,530	-	-	3,470	-	-	40,000
<i>Executive Directors:</i>							
Carlos Gil	539,466	-	-	21,690	30,988	396,651	988,795
Samuel Gutman	166,235	-	-	15,290	2,627	-	184,152
	<u>783,327</u>	<u>-</u>	<u>-</u>	<u>44,354</u>	<u>33,615</u>	<u>396,651</u>	<u>1,257,947</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Leslie Szekely - Chairman	40,572	-	-	3,709	-	-	44,281
Craig Shapiro*	24,353	-	-	2,314	-	-	26,667
Dr Alexander Abrahams**	7,306	-	-	694	-	-	8,000
<i>Executive Directors:</i>							
Carlos Gil	446,102	-	-	21,002	(22,679)	239,836	684,261
Samuel Gutman	122,878	-	-	13,065	3,695	-	139,638
<i>Other KMP:</i>							
Paul Kaplan***	84,804	-	-	6,921	-	(26,035)	65,690
	<u>726,015</u>	<u>-</u>	<u>-</u>	<u>47,705</u>	<u>(18,984)</u>	<u>213,801</u>	<u>968,537</u>

* Represents remuneration from 1 July 2019 to 12 March 2020

** Represents remuneration from 12 March 2020 to 30 June 2020

*** Represents remuneration from 1 July 2019 to 24 October 2019

Non-executive directors' salaries are 100% fixed. The fixed proportion and the proportion of remuneration linked to performance of executive directors and KMP are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Executive directors:</i>						
Carlos Gil	60%	65%	-	-	40%	35%
Samuel Gutman	100%	100%	-	-	-	-
<i>Other KMP:</i>						
Paul Kaplan	-	140%	-	-	-	(40%)

Service agreements

The Group enters into employment agreements with its executives. The agreements are continuous, that is, not of a fixed duration, and includes notice period ranging from four weeks to three months on the part of the employee and the Group.

The employment agreements contain substantially the same terms which include usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the Group's intellectual property rights and other proprietary information and non-compete clauses.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2021.

Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2021.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Grant date	Particulars	Expiry date	Fair value per right at grant date
28/02/2018	Carlos Gil 1,905,516 rights: The Group has agreed to pay Carlos Gil a bonus in February 2022 if certain performance hurdles relating to the Funds are met and he is still employed by the Group. The Group can elect to settle the bonus in cash or by way of an issue of shares. The amount of the bonus will be calculated in accordance with a formula based on the market price of the shares at the time the bonus is payable multiplied by the vesting percentage (which will range from 0% to 100% depending on the number of Funds that meet the performance hurdle). Each Fund has its own performance hurdles which are all 5% above the compound annual return of the relevant benchmark. In calculating the share-based payment expense for performance rights, the NRC has reviewed the historical performance of the funds which have at least 2 years track record. Based on the review, the NRC has applied an 85% probability of meeting the performance conditions.	28/02/2022	\$0.581

Performance rights granted carry no dividend or voting rights.

There were no performance rights over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional information

The earnings of the Group for the four years to 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$
Sales revenue*	20,251,529	7,590,841	7,855,401	10,965,756
Profit after income tax	14,012,711	3,344,099	2,532,958	5,214,479

* Sales revenue includes revenue from contracts with customers and interest revenue.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018
Share price at financial year end (\$)	0.70	0.30	0.26	0.71
Total dividends declared (cents per share)	3.00	2.00	2.00	2.00
Basic earnings per share (cents per share)	10.76	2.56	1.94	4.00
Diluted earnings per share (cents per share)	10.53	2.52	1.94	3.90

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Leslie Szekely*	18,717,357	-	230,000	-	18,947,357
Carlos Gil	53,634,560	-	-	-	53,634,560
Samuel Gutman	22,955,539	-	44,461	-	23,000,000
Dr Alexander Abrahams	266,008	-	-	-	266,008
	<u>95,573,464</u>	<u>-</u>	<u>274,461</u>	<u>-</u>	<u>95,847,925</u>

* Leslie Szekely, the Chairman, holds 50% of the shares in Equity Venture Partners Pty Ltd ACN 600 735 626 ('EVP') through Bellite Pty Ltd ACN 056 441 386, a company controlled by him. EVP (as trustee for the EVP Trust) is a limited partner of Microequities Venture Capital Managing Partnership LP which acts as general partner of the Microequities Venture Capital Fund LP.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Carlos Gil	1,905,516	-	-	-	1,905,516
	<u>1,905,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,905,516</u>

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Microequities Asset Management Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Microequities Asset Management Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Shares under performance rights

Ordinary shares of Microequities Asset Management Group Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
28/02/2018	28/02/2022	\$0.000	1,905,516

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of performance rights

There were no ordinary shares of Microequities Asset Management Group Limited issued on the exercise of performance rights during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Leslie Szekely
Chairman

20 August 2021



Carlos Gil
Chief Executive Officer

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF MICROEQUITIES ASSET MANAGEMENT GROUP LIMITED

As lead auditor of Microequities Asset Management Group Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Aman
Director

BDO



BDO Audit Pty Ltd

Sydney, 20 August 2021

Microequities Asset Management Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Revenue from contracts with customers	5	20,239,662	7,546,969
Other income and gain/(loss) on investments	6	2,701,447	253,091
Interest revenue calculated using the effective interest method		11,867	43,872
Expenses			
Employee benefits expenses		(2,550,173)	(1,985,843)
Depreciation and amortisation expense	7	(254,702)	(264,142)
Legal and professional expenses		(105,000)	(42,788)
Advertising expenses		(103,395)	(63,958)
Occupancy expenses		(56,735)	(64,035)
Other expenses		(520,318)	(483,727)
Interest expense	7	(6,559)	(8,829)
Profit before income tax expense		19,356,094	4,930,610
Income tax expense	8	(5,090,138)	(1,320,651)
Profit after income tax expense for the year		14,265,956	3,609,959
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>14,265,956</u>	<u>3,609,959</u>
Profit for the year is attributable to:			
Non-controlling interest		253,245	265,860
Owners of Microequities Asset Management Group Limited		14,012,711	3,344,099
		<u>14,265,956</u>	<u>3,609,959</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		253,245	265,860
Owners of Microequities Asset Management Group Limited		14,012,711	3,344,099
		<u>14,265,956</u>	<u>3,609,959</u>
		Cents	Cents
Basic earnings per share	27	10.76	2.56
Diluted earnings per share	27	10.53	2.52

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 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	9	11,816,005	3,448,021
Trade and other receivables	10	2,885,110	635,186
Other assets	11	390,568	381,443
Total current assets		<u>15,091,683</u>	<u>4,464,650</u>
Non-current assets			
Financial assets at fair value through profit or loss	12	8,999,874	5,883,985
Right-of-use assets	13	87,594	132,071
Deferred tax assets	8	-	189,531
Total non-current assets		<u>9,087,468</u>	<u>6,205,587</u>
Total assets		<u>24,179,151</u>	<u>10,670,237</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,317,672	431,265
Lease liabilities	15	88,597	134,308
Income tax payable	8	2,096,845	263,337
Employee benefits		264,757	201,053
Total current liabilities		<u>3,767,871</u>	<u>1,029,963</u>
Non-current liabilities			
Deferred tax liabilities	8	403,003	-
Employee benefits		34,245	23,962
Total non-current liabilities		<u>437,248</u>	<u>23,962</u>
Total liabilities		<u>4,205,119</u>	<u>1,053,925</u>
Net assets		<u>19,974,032</u>	<u>9,616,312</u>
Equity			
Issued capital	16	2,269,844	2,633,246
Reserves	17	1,343,807	667,226
Retained earnings		16,360,371	6,315,830
Equity attributable to the owners of Microequities Asset Management Group Limited		<u>19,974,022</u>	<u>9,616,302</u>
Non-controlling interest		10	10
Total equity		<u>19,974,032</u>	<u>9,616,312</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 year ended 30 June 2021



Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2019	2,645,634	320,960	5,631,840	10	8,598,444
Profit after income tax expense for the year	-	-	3,344,099	265,860	3,609,959
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	3,344,099	265,860	3,609,959
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 28)	-	346,266	-	-	346,266
Repayments under loan funded share plan (note 16)	123,960	-	-	-	123,960
Share buy-back (note 16)	(136,348)	-	-	-	(136,348)
Dividends paid (note 18)	-	-	(2,660,109)	-	(2,660,109)
Distribution of profits to non-controlling interest	-	-	-	(265,860)	(265,860)
Balance at 30 June 2020	2,633,246	667,226	6,315,830	10	9,616,312
Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2020	2,633,246	667,226	6,315,830	10	9,616,312
Profit after income tax expense for the year	-	-	14,012,711	253,245	14,265,956
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	14,012,711	253,245	14,265,956
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 28)	-	676,581	-	-	676,581
Repayments under loan funded share plan (note 16)	29,979	-	-	-	29,979
Share buy-back (note 16)	(393,381)	-	-	-	(393,381)
Dividends paid (note 18)	-	-	(3,968,170)	-	(3,968,170)
Distribution of profits to non-controlling interest	-	-	-	(253,245)	(253,245)
Balance at 30 June 2021	2,269,844	1,343,807	16,360,371	10	19,974,032

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

Microequities Asset Management Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,229,134	8,330,277
Payments to suppliers and employees (inclusive of GST)		(3,731,737)	(3,080,124)
Dividends and distributions received		21,125	18,652
Interest received		12,370	48,509
Government grant received		148,500	113,000
Interest and other finance costs paid		(6,559)	(8,829)
Income taxes paid		<u>(2,664,096)</u>	<u>(1,363,371)</u>
Net cash from operating activities	26	<u>14,008,737</u>	<u>4,058,114</u>
Cash flows from investing activities			
Payments for investments		<u>(800,000)</u>	<u>(1,850,000)</u>
Net cash used in investing activities		<u>(800,000)</u>	<u>(1,850,000)</u>
Cash flows from financing activities			
Repayments under loan funded share plan	16	29,979	123,960
Payments for share buy-backs	16	(393,381)	(136,348)
Repayment of lease liabilities	26	(255,936)	(261,905)
Dividends paid	18	(3,968,170)	(2,660,109)
Distribution of profits to non-controlling entity		<u>(253,245)</u>	<u>(265,860)</u>
Net cash used in financing activities		<u>(4,840,753)</u>	<u>(3,200,262)</u>
Net increase/(decrease) in cash and cash equivalents		8,367,984	(992,148)
Cash and cash equivalents at the beginning of the financial year		<u>3,448,021</u>	<u>4,440,169</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>11,816,005</u></u>	<u><u>3,448,021</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 and the entities it controlled at the end of, or during, the year. 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 20 August 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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 adopted during the year are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Microequities Asset Management Group Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Microequities Asset Management Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Management fees

Fees from management services are recognised over time when the services are provided. The measurement of the management fee component of revenue is based on the portfolio managed, net of any fund manager rebates.

Note 2. Significant accounting policies (continued)

Performance fees

The performance fee component of revenue is recognised at the time when the right to receive payment has been established. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as revenue or as a receivable at the reporting date as they are not able to be estimated or measured reliably and may change significantly.

Dividends and distributions

Dividends and distributions are recognised when received or when the right to receive payment is established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Microequities Asset Management Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 2. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 7 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Note 2. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares (including performance rights and loan funded shares), that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Microequities Asset Management Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Comparatives in the financial statements have been realigned to the current year presentation. There was no effect on the results of operations for the year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the Group's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

The Group can elect to settle performance rights in the form of a bonus in cash or by way of an issue of shares. The fair value of such performance rights are accounted over the vesting period as an equity settled share-based payment based on the current expectation of settlement.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 4. 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 Group operates only in Australia and information of revenue from products and services is included in note 5 'Revenue from contracts with customers'. Credit risk exposure is included in note 19 'Financial instruments'.

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

Note 5. Revenue from contracts with customers

	Consolidated	
	2021	2020
	\$	\$
Management fees	7,190,465	5,841,958
Performance fees	12,919,876	1,469,568
Other revenue	129,321	235,443
Revenue from contracts with customers	<u>20,239,662</u>	<u>7,546,969</u>

Disaggregation of revenue

All revenue is generated in Australia and revenue is recognised over time.

Note 6. Other income and gain/(loss) on investments

	Consolidated	
	2021	2020
	\$	\$
Government grants (Covid-19)	148,500	160,000
Dividends and distributions	294,632	85,126
Unrealised gain/(loss) on investments	2,258,315	7,965
Other income and gain/(loss) on investments	<u>2,701,447</u>	<u>253,091</u>

During the Coronavirus ('COVID-19') pandemic, the Group has received JobKeeper support payments amounting to \$111,000 (2020: \$97,500) from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The Group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

During the year the Group received payments from the Australian Government amounting to \$37,500 (2020: \$62,500) as part of its 'Boosting Cash Flow for Employers' scheme in response to the Coronavirus ('COVID-19') pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Group will comply with any conditions attached.

Note 7. Expenses

	Consolidated	
	2021	2020
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office premises right-of-use assets	<u>254,702</u>	<u>264,142</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	<u>6,559</u>	<u>8,829</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>124,291</u>	<u>118,028</u>

Note 8. Income tax

	Consolidated	Consolidated
	2021	2020
	\$	\$
<i>Income tax expense</i>		
Current tax	4,501,431	1,300,557
Deferred tax - origination and reversal of temporary differences	592,534	27,273
Adjustment recognised for prior periods	<u>(3,827)</u>	<u>(7,179)</u>
Aggregate income tax expense	<u>5,090,138</u>	<u>1,320,651</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	<u>592,534</u>	<u>27,273</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>19,356,094</u>	<u>4,930,610</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	5,032,584	1,355,918
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	175,911	95,223
Tax impact of franked dividends received	(38,938)	(31,324)
Tax on government subsidy	(9,750)	(17,188)
Non-taxable income attributable to non-controlling interest	(65,844)	(73,112)
Sundry items	<u>2</u>	<u>(1,687)</u>
	5,093,965	1,327,830
Adjustment recognised for prior periods	<u>(3,827)</u>	<u>(7,179)</u>
Income tax expense	<u>5,090,138</u>	<u>1,320,651</u>

	Consolidated	Consolidated
	2021	2020
	\$	\$
<i>Deferred tax asset/(liability)</i>		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	77,740	58,880
Accrued expenses	9,559	11,274
Blackhole expenditure	(22,580)	(22,580)
Unrealised loss/(gain) on investments	(467,722)	137,758
Other changes	<u>-</u>	<u>4,199</u>
Deferred tax asset/(liability)	<u>(403,003)</u>	<u>189,531</u>
Movements:		
Opening balance	189,531	216,804
Charged to profit or loss	<u>(592,534)</u>	<u>(27,273)</u>
Closing balance	<u>(403,003)</u>	<u>189,531</u>

Note 8. Income tax (continued)

	Consolidated 2021 \$	2020 \$
<i>Provision for income tax</i>		
Provision for income tax	<u>2,096,845</u>	<u>263,337</u>

Note 9. Cash and cash equivalents

	Consolidated 2021 \$	2020 \$
<i>Current assets</i>		
Cash at bank and on hand	<u>11,816,005</u>	<u>3,448,021</u>

Note 10. Trade and other receivables

	Consolidated 2021 \$	2020 \$
<i>Current assets</i>		
Trade receivables	2,627,152	546,492
Other receivable	4,167	50,333
Trust distribution receivable	252,884	36,951
Interest receivable	907	1,410
	<u>2,885,110</u>	<u>635,186</u>

Allowance for expected credit losses

The Group has recognised a loss of \$nil (2020: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. There has been no change to the allowance for expected credit losses as at 30 June 2021 as a result of this.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$	2020 \$	2021 \$	2020 \$
Consolidated						
Not overdue	-	-	<u>2,627,152</u>	<u>546,492</u>	-	-

Note 11. Other assets

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Prepayments	101,148	92,023
Term deposits	240,329	240,329
Other current assets	49,091	49,091
	<u>390,568</u>	<u>381,443</u>

Note 12. Financial assets at fair value through profit or loss

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Investment in unlisted Australian unit trusts - designated at fair value through profit or loss	8,999,874	5,883,985
	<u>8,999,874</u>	<u>5,883,985</u>

Refer to note 20 for further information on fair value measurement.

Note 13. Right-of-use assets

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Right-of-use assets	606,438	396,213
Less: Accumulated depreciation	(518,844)	(264,142)
	<u>87,594</u>	<u>132,071</u>

The Group leases office premises under an operating lease expiring in December 2021. The lease has various escalation clauses. On renewal, the terms of the lease are renegotiated.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Office Premises \$
Balance at 1 July 2019	-
Adoption of AASB 16 on 1 July 2019	396,213
Depreciation expense	(264,142)
	<u>132,071</u>
Balance at 30 June 2020	132,071
Additions	210,225
Depreciation expense	(254,702)
	<u>87,594</u>
Balance at 30 June 2021	<u>87,594</u>

Note 13. Right-of-use assets (continued)

For other AASB 16 lease-related disclosures refer to the following:

- Refer note 7 for details of interest on lease liabilities and other lease expenses;
- Refer note 15 and note 26 for details of lease liabilities at the beginning and end of the reporting period; and
- Refer note 19 for the maturity analysis of lease liabilities; and
- Refer consolidated statement of cash flows for repayment of lease liabilities.

Note 14. Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	280,124	150,841
Accruals and other payables	1,037,548	280,424
	<u>1,317,672</u>	<u>431,265</u>

Refer to note 19 for further information on financial instruments.

Note 15. Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Lease liability	88,597	134,308
	<u>88,597</u>	<u>134,308</u>

Refer to note 19 for further information on financial instruments.

Refer to note 13 for details of lease maturity and other terms.

Note 16. Issued capital

	Consolidated			
	2021	2020	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	131,899,017	132,671,252	3,286,848	3,680,229
Less: Treasury shares	(2,057,544)	(2,057,544)	(1,017,004)	(1,046,983)
	<u>129,841,473</u>	<u>130,613,708</u>	<u>2,269,844</u>	<u>2,633,246</u>

Note 16. Issued capital (continued)

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	(38,000)	(17,679)
Share buy-back	25 February 2020	(34,737)	(17,389)
Share buy-back	26 February 2020	(47,945)	(23,994)
Share buy-back	22 June 2020	(120,000)	(36,036)
Share buy-back	24 June 2020	(100,000)	(30,030)
Balance	30 June 2020	132,671,252	3,680,229
Share buy-back	1 September 2020	(31,581)	(12,021)
Share buy-back	5 October 2020	(88,988)	(40,285)
Share buy-back	19 November 2020	(10,000)	(4,920)
Share buy-back	24 November 2020	(89,762)	(44,911)
Share buy-back	26 November 2020	(98,920)	(51,490)
Share buy-back	15 December 2020	(70,023)	(36,448)
Share buy-back	16 December 2020	(12,665)	(6,592)
Share buy-back	17 December 2020	(10,000)	(5,020)
Share buy-back	18 December 2020	(36,500)	(18,253)
Share buy-back	21 December 2020	(32,482)	(16,257)
Share buy-back	4 January 2021	(117,435)	(58,776)
Share buy-back	12 March 2021	(88,268)	(44,178)
Share buy-back	29 April 2021	(11,191)	(6,158)
Share buy-back	11 May 2021	(64,244)	(41,158)
Share buy-back	19 May 2021	(361)	(220)
Share buy-back	25 June 2021	(9,815)	(6,694)
Balance	30 June 2021	<u>131,899,017</u>	<u>3,286,848</u>

Movements in Treasury shares

Details	Date	Shares	\$
Balance	1 July 2019	(2,637,776)	(1,170,943)
Repayment of loan and settlement of treasury shares	16 January 2020	580,232	96,439
Repayment of loan		-	27,521
Balance	30 June 2020	(2,057,544)	(1,046,983)
Repayment of loan		-	29,979
Balance	30 June 2021	<u>(2,057,544)</u>	<u>(1,017,004)</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares

Treasury shares comprise of 787,200 (2020: 787,200) shares issued under a Loan Funded Share Plan and 1,270,344 (2020: 1,270,344) shares issued under an Employee Share Trust Plan.

Note 16. Issued capital (continued)

Loan Funded Share Plan ('LFSP')

The Company has an equity scheme pursuant to which certain employees may access a LFSP. The acquisition of shares under this LFSP is fully funded by the Company through the granting of a limited recourse loan. The LFSP shares are restricted until the loan is repaid. These shares are recorded as treasury shares representing a deduction against issued capital. These have been accounted for as a share-based payment. Refer to note 28 for further details. When the loans are settled, the treasury shares are reclassified as ordinary shares and the equity will increase by the amount of the loan repaid.

Employee Share Trust Plan ('ESTP')

The Company has established the ESTP to deliver long-term incentives to eligible employees. The trustee of the Share Trust is a wholly owned subsidiary of the Company. The acquisition of the shares under the ESTP is fully funded by the Company. These shares are recorded as treasury shares representing a deduction against issued capital. The eligible employees are issued with units in the Share Trust. Each unit in the Share Trust is converted to one share in the Company upon satisfaction of the relevant vesting conditions. The issue of units in the Share Trust have been accounted for as a share-based payment. Refer to note 28 for further details.

Share buy-back

During the financial year, the Company bought back 772,235 shares at a cost of \$393,381. The buy-back program is expected to expire on 24 September 2021.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company holds an Australian Financial Services License and is subject to regulatory financial requirements that include maintaining a minimum level of net tangible assets. The directors believe the Group has adequate capital as at 30 June 2021 to maintain the Group's existing business activities and facilitate growth.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 17. Reserves

	Consolidated	
	2021	2020
	\$	\$
Share-based payments reserve	1,343,807	667,226

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 18. Dividends

Dividends

Dividends paid/payable during the financial year were as follows:

	Consolidated	
	2021	2020
	\$	\$
Final dividend for the year ended 30 June 2020 of 1 cent per ordinary share (2020: 1 cent)	1,326,713	1,330,369
Interim dividend for the year ended 30 June 2021 of 2 cents per ordinary share (2020: 1 cent)	2,641,457	1,329,740
	<u>3,968,170</u>	<u>2,660,109</u>

On 20 August 2021, the directors declared a fully franked final dividend for the year ended 30 June 2021 of 5.0 cents per ordinary share, to be paid on 8 September 2021 to eligible shareholders on the register as at 25 August 2021. This equates to a total estimated dividend of \$6,594,951, based on the number of ordinary shares on issue as at 30 June 2021. 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.

Franking credits

	Consolidated	
	2021	2020
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 26% (2020: 27.5%)	4,078,603	2,519,091

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 19. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Given the long-term nature of the investments, the Group's overall risk management program focuses on the underlying value of the investments rather than short-term fluctuations in market price. The Group regularly reviews the investment case and performance of the investments as well as other different methods to measure different types of risk to which it is exposed, including sensitivity analysis.

In particular, the Group manages the investments of certain funds where it is entitled to receive management fees and fees contingent upon performance of the portfolio managed. These fees are exposed to significant risk associated with the funds' performance, including market risks and liquidity risk as detailed below.

Risk management is carried out by the investment management team in accordance with the investment mandate of each fund.

Market risk

Foreign currency risk

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The Group is not exposed to any significant foreign currency risk.

Note 19. Financial instruments (continued)

Price risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual equity securities or managed investment funds or factors affecting all financial instruments in the market. Price risk exposure arises from the Group's investment portfolio.

Price risk is managed by monitoring the underlying value of the investments in relation to the price of the investments and also taking a long-term investment time frame into account.

The Group is exposed to direct equity price risk on its financial assets that are at fair value. The table below summarises the impact of a 10% movement in the market value of these assets:

Consolidated - 2021	% change	Average price increase		Average price decrease		
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	
Investment in unlisted Australian unit trusts	10%	<u>899,987</u>	<u>665,990</u>	(10%)	<u>(899,987)</u>	<u>(665,990)</u>

Consolidated - 2020	% change	Average price increase		Average price decrease		
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	
Investment in unlisted Australian unit trusts	10%	<u>588,399</u>	<u>426,589</u>	(10%)	<u>588,399</u>	<u>(426,589)</u>

Interest rate risk

The Group's exposure to interest rate risk is not significant and limited to interest on cash at bank.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group has a credit risk exposure with the cash at bank, trade and distribution receivable from funds under management. The funds under management as at 30 June 2021 owed the Group 89% (2020: 92%) of trade receivables. The balance was within its terms of trade and no impairment was made as at the reporting date. These receivables represent management fees and performance fees that are accrued and paid monthly by the Funds.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 19. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	280,124	-	-	-	280,124
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.00%	89,469	-	-	-	89,469
Total non-derivatives		369,593	-	-	-	369,593

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	150,841	-	-	-	150,841
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.00%	138,021	-	-	-	138,021
Total non-derivatives		288,862	-	-	-	288,862

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. 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 - 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment in unlisted Australian unit trusts	-	8,999,874	-	8,999,874
Total assets	-	8,999,874	-	8,999,874

Note 20. Fair value measurement (continued)

Consolidated - 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Investment in unlisted Australian unit trusts	-	5,883,985	-	5,883,985
Total assets	-	5,883,985	-	5,883,985

There were no transfers between levels during the financial 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 and level 3

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 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated 2021 \$	2020 \$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>40,400</u>	<u>37,300</u>
<i>Other services - network firm of BDO Audit Pty Ltd</i>		
Tax compilation and related services	<u>-</u>	<u>4,000</u>

Note 22. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2021 \$	2020 \$
Short-term employee benefits	783,327	726,015
Post-employment benefits	44,354	47,705
Long-term benefits	33,615	(18,984)
Share-based payments	396,651	213,801
	<u>1,257,947</u>	<u>968,537</u>

Note 24. Related party transactions

Parent entity

Microequities Asset Management Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Sale of goods and services:		
Management fees from Funds for which the Group is a Trustee	7,141,393	5,816,071
Performance fees from Funds for which the Group is a Trustee	12,919,876	1,469,548

Receivable from and payable to related parties

Trade receivables disclosed in note 10 are predominantly from Funds for which the Group is a Trustee.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Microequities Asset Management Pty Ltd	Australia	100%	100%
Microequities Venture Capital Pty Ltd	Australia	100%	100%
Microequities Venture Capital Fund Managing Partnership LP*	Australia	50%	50%

* Leslie Szekely, the Chairman, holds 50% of the shares in Equity Venture Partners Pty Ltd ACN 600 735 626 ('EVP') through Bellite Pty Ltd ACN 056 441 386, a company controlled by him. EVP (as trustee for the EVP Trust) is a limited partner of Microequities Venture Capital Managing Partnership LP which acts as general partner of the Microequities Venture Capital Fund LP.

Note 26. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2021	2020
	\$	\$
Profit after income tax expense for the year	14,265,956	3,609,959
Adjustments for:		
Depreciation and amortisation	254,702	264,142
Net fair value gain on other financial assets	(2,258,315)	(7,965)
Share-based payments	676,581	346,266
Dividend income- non-cash	(57,574)	(118,995)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,249,924)	38,769
Decrease in deferred tax assets	189,531	27,273
Increase in prepayments	(9,125)	(26,146)
Increase in trade and other payables	886,407	21,747
Increase/(decrease) in provision for income tax	2,071,084	(69,993)
Increase in deferred tax liabilities	165,427	-
Increase/(decrease) in employee benefits	73,987	(26,943)
Net cash from operating activities	<u>14,008,737</u>	<u>4,058,114</u>

Non-cash investing and financing activities

	Consolidated	
	2021	2020
	\$	\$
Additions to the right-of-use assets	210,225	396,213
Additions to investment by reinvestment of dividends	57,574	118,995
	<u>267,799</u>	<u>515,208</u>

Changes in liabilities arising from financing activities

Consolidated	Lease liabilities
	\$
Balance at 1 July 2019	-
Adoption of AASB 16 on 1 July 2019	396,213
Net cash used in financing activities	<u>(261,905)</u>
Balance at 30 June 2020	134,308
Acquisition of leases	210,225
Net cash used in financing activities	<u>(255,936)</u>
Balance at 30 June 2021	<u>88,597</u>

Note 27. Earnings per share

	Consolidated	
	2021	2020
	\$	\$
Profit after income tax	14,265,956	3,609,959
Non-controlling interest	(253,245)	(265,860)
Profit after income tax attributable to the owners of Microequities Asset Management Group Limited	<u>14,012,711</u>	<u>3,344,099</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,221,102	130,596,853
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	387,441	193,464
Performance rights over ordinary shares	2,514,950	1,824,042
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>133,123,493</u>	<u>132,614,359</u>
	Cents	Cents
Basic earnings per share	10.76	2.56
Diluted earnings per share	10.53	2.52

The weighted average number of ordinary shares for year ended 30 June 2021 does not include 2,057,544 treasury shares (2020: 2,057,544).

Note 28. Share-based payments

The share-based payment expense for the year was \$676,581 (2020: \$346,266).

Loan Funded Share Plan ('LFSP')

As detailed in note 16, the Group has an equity scheme pursuant to which certain employees may access a LFSP. On 26 November 2015, the Group granted limited recourse loans to certain employees to enable them to subscribe 1,367,432 shares in the Company. The LFSP shares are restricted until the loan is repaid. These shares are recorded as treasury shares representing a deduction against issued capital. These have been accounted for as a share-based payment.

Set out below are summaries of options and loan funded shares granted under the plan:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
26/11/2015	26/11/2022	\$0.267	787,200	-	-	-	787,200
			<u>787,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,200</u>
Weighted average exercise price			\$0.267	\$0.000	\$0.000	\$0.000	\$0.267

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
26/11/2015	26/11/2022	\$0.267	1,367,432	-	(580,232)	-	787,200
			<u>1,367,432</u>	<u>-</u>	<u>(580,232)</u>	<u>-</u>	<u>787,200</u>

Note 28. Share-based payments (continued)

Weighted average exercise price	\$0.267	\$0.000	\$0.267	\$0.000	\$0.267
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The weighted average share price during the financial year was \$0.526 (2020: \$0.354).

The weighted average remaining contractual life of options outstanding at the end of the financial year was nil years (2020: nil years).

Whilst 787,200 shares (2020: 787,200) under LFSP have fully vested, the holder does not have unrestricted access to the underlying shares until settlement of the loan.

Performance rights

On 28 February 2018, the Group granted 1,905,516 performance rights to pay a bonus in February 2022 if certain performance hurdles relating to the Funds and service conditions of the employee are met. The Group can elect to settle the bonus in cash or by way of an issue of shares. The amount of the bonus will be calculated in accordance with a formula based on the market price of the shares at the time the bonus is payable multiplied by the vesting percentage (which will range from 0% to 100% depending on the number of Funds that meet the performance hurdle). Each Fund has its own performance hurdles which are all 5% above the compound annual return of the relevant benchmark.

Units under the Employee Share Trust Plan ('ESTP')

On 28 February 2018, the Group granted 1,270,344 share units (unvested) under the ESTP. The units vest if certain performance hurdles relating to the Funds and service conditions of the employees are met. The number of shares that will vest will be calculated based on the vesting percentage (which will range from 0% to 100% depending on the number of Funds that meet the performance hurdle). Each Fund has its own performance hurdles which are all 5% above the compound annual return of the relevant benchmark.

Set out below are summaries of performance rights and share units granted under the plan:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
28/02/2018	28/02/2022	\$0.000	1,905,516	-	-	-	1,905,516
28/02/2018	28/02/2022	\$0.000	1,270,344	-	-	-	1,270,344
			<u>3,175,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,175,860</u>

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
28/02/2018	28/02/2022	\$0.000	1,905,516	-	-	-	1,905,516
28/02/2018	28/02/2022	\$0.000	1,270,344	-	-	-	1,270,344
09/11/2018	09/11/2021	\$0.000	1,223,550	-	-	(1,223,550)	-
			<u>4,399,410</u>	<u>-</u>	<u>-</u>	<u>(1,223,550)</u>	<u>3,175,860</u>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.67 years (2020: 1.58 years).

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$	\$
Profit after income tax	18,079,232	2,559,573
Total comprehensive income	18,079,232	2,559,573

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	13,373,139	1,761,472
Total assets	22,373,123	7,711,676
Total current liabilities	2,096,844	1,704,110
Total liabilities	2,617,897	1,704,110
Equity		
Issued capital	3,229,844	3,593,246
Retained earnings	16,525,382	2,414,320
Total equity	<u>19,755,226</u>	<u>6,007,566</u>

Issued capital

Issued capital disclosed above includes \$960,000 (2020: \$960,000) issue of shares under employee share trust plan that was funded by another Group entity.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Apart from the dividend declared as disclosed in note 18, no other matter or circumstance has arisen since 30 June 2021 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, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Leslie Szekely
Chairman



Carlos Gil
Chief Executive Officer

20 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Microequities Asset Management Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the 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 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors’ declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group’s financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Revenue from contracts with customers is a material balance for the Group. There is a significant increase in the balance in this financial year primarily attributable to performance fees. Performance fees are subject to performance hurdles as stipulated within the product disclosure statements of the funds under management. The increase, together with the consideration of COVID-19 implications, required additional audit attention. Furthermore, majority of the balance is received from related party funds which the Group manages.</p> <p>There is also a presumed risk of fraud with respect to revenue in accordance with ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>.</p> <p>Consequently, this is a key audit matter for our audit.</p>	<p>Our procedures in relation to revenue from contracts with customers included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewed revenue recognition policy for all material income streams to identify whether it is in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and consistent with the Group's accounting policies. • Performed analytical procedures to confirm the completeness and accuracy of revenue. • Re-performance of management's calculation of the revenue recognised in relation to performance fees and management fees and vouched to underlying contracts and source documentation. • Performed substantive detailed testing on all other material streams of revenue.

Valuation of unlisted unit trusts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group holds material investments in a number of unlisted unit trusts which a majority of these unit trusts are also related parties to the Group.</p> <p>We consider the valuation of these financial assets as a key audit matter as the valuation is subject to management's judgement and estimation due to use of non-market observable inputs.</p>	<p>Our audit procedures over the valuation of unlisted unit trusts and their disclosures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtained management's valuation basis of valuation of the investments held at period end and assessed against recognition principles in the accounting standard AASB 9. • Obtained and agreed the investment schedule to the general ledger and financial report.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>In addition, fair valuation hierarchy disclosure in the financial statements can be subjective.</p>	<ul style="list-style-type: none"> • Obtained the financial statements of the underlying funds, and assessed whether the Net Tangible Assets (NTA) of the funds approximate fair value. • Recalculated the unit prices based on confirmation of unit prices received from fund managers. • Confirmed directly with the respective fund managers if the funds were frozen for redemption as at 30 June 2021. • Assessed the fair value hierarchy disclosures and performed a look-through analysis to confirm that the fair value hierarchy assessment of Level 2 for these assets are appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2021, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Microequities Asset Management Group Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney, 20 August 2021

Directors	Leslie Szekely - Non-Executive Chairman Carlos Gil - Executive Director, Chief Executive Officer and Chief Investment Officer Samuel Gutman - Executive Director and Company Secretary Dr Alexander Abrahams - Non-Executive Director
Company secretary	Samuel Gutman
Registered office and Principal place of business	Suite 3105, Level 31 Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Telephone: +61 2 9009 2900
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: 1300 554 474
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney NSW 2000
Solicitors	Mills Oakley Level 12, 400 George Street Sydney NSW 2000
Stock exchange listing	Microequities Asset Management Group Limited shares are listed on the Australian Securities Exchange (ASX code: MAM)
Website	http://microequities.com.au/
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Microequities Asset Management Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Microequities Asset Management Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: http://microequities.com.au/governance-policies/</p>

The shareholder information set out below was applicable as at 2 August 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders of ordinary shares	% of total shares issued
1 to 1,000	23	0.01
1,001 to 5,000	103	0.25
5,001 to 10,000	60	0.36
10,001 to 100,000	225	6.60
100,001 and over	93	92.78
	<u>504</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>16</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Gil Investment Company Pty Ltd	53,634,560	40.66
Gutman Investment Partners Pty Ltd	23,000,000	17.44
Szekely SMSF Pty Ltd	12,991,949	9.85
Bellite Pty Ltd	5,955,408	4.52
Design Mangement Investment Pty Ltd	2,662,376	2.02
Microequities Employee Share Trust	1,270,344	0.96
Andansa Pty Limited	1,250,000	0.95
Mr Shuo Yang	787,200	0.60
IME Holdings Pty Ltd	770,000	0.58
Mr Alan Geoffrey Blackburn	690,335	0.52
Ozsun Investments Pty Ltd	645,000	0.49
I M E Investments Pty Ltd	630,000	0.48
GA Pease Holdings Pty Ltd	625,000	0.47
Portland 41 Pty Limited	604,272	0.46
BNP Paribas Nominees Pty Ltd	568,510	0.43
Mann Superannuation Fund Pty Ltd	532,672	0.40
Elysium Family Super Pty Limited	532,672	0.40
JMAS Pty Ltd	532,016	0.40
BCDO Pty Limited	502,252	0.38
C & M Lavers Pty Ltd	479,017	0.36
	<u>108,663,583</u>	<u>82.37</u>

Unquoted equity securities

	Number on issue	Number of holders
Rights over ordinary shares issued under loan funded share plan	787,200	1
Performance rights over ordinary shares	1,905,516	1
Awards under employee share trust plan	1,270,344	2

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Gil Investment Company Pty Ltd	53,634,560	40.66
Gutman Investment Partners Pty Ltd	23,000,000	17.44
Szekely SMSF Pty Ltd and Bellite Pty Ltd	18,947,357	14.37

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	Share issued under Loan Funded Share Plan restricted until the related loan has been repaid	787,200