

## 1. Company details

Name of entity:	Microequities Asset Management Group Limited
ABN:	17 110 777 056
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	18.5% to	23,991,094
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	up	0.7% to	14,114,211
Profit for the year attributable to the owners of Microequities Asset Management Group Limited	up	0.7% to	14,114,211

### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2021 paid on 8 September 2021	5.0	5.0
Interim dividend for the year ended 30 June 2022 paid on 7 March 2022	6.0	6.0

On 12 August 2022, the directors declared a fully franked final dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share, to be paid on 2 September 2022 to eligible shareholders on the register on 19 August 2022.

### Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$14,114,211 (30 June 2021: \$14,012,711).

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>14.40</u>	<u>15.38</u>

The net tangible assets per ordinary security is calculated based on 130,779,846 ordinary shares on issue as at 30 June 2022 (excluding 2,836,583 treasury shares). The previous period net tangible assets per ordinary security is calculated based on 129,841,473 ordinary shares (excluding 2,057,544 treasury shares) on issue as at 30 June 2021.

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

## 4. Audit qualification or review

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

## 5. Attachments

The Annual Report of Microequities Asset Management Group Limited for the year ended 30 June 2022 is attached.

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## 6. Signed

As authorised by the Board of Directors



Signed \_\_\_\_\_

Date: 12 August 2022

Leslie Szekely  
Chairman  
Sydney

# **Microequities Asset Management Group Limited**

**ABN 17 110 777 056**

**Annual Report - 30 June 2022**

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Dear Fellow Shareholders,

In a year in which the two financial halves provided very distinctive operating environments we are pleased to have delivered our fellow shareholders with a very strong set of financial results. We manage a business that is subject to constant and sometimes abrupt operating environment fluctuations. Of these sudden changes, market pricing dynamics, which we do not control, not only have a direct impact on the revenue line but also affect investor sentiment which can also affect our inflow patterns. Despite a sharp decline in market prices during the 2H22, the business was able to achieve the highest operating profit in the Group's history, whilst also delivering Funds Under Management ('FUM') growth for the full year and noticeable improvements across all key performance indicators including client number growth during both halves.

Summary of operating and financial results are provided below:

Summary Profit or Loss Statement (\$000's unless stated)	30 Jun 2022	30 Jun 2021	% change
Funds Under Management (\$m)	532.5	497.1	+7%
Recurring Revenue <sup>1</sup>	9,975.1	7,190.5	+39%
Ongoing Operating Expenses <sup>2</sup>	-4,026.9	-3,189.6	-26%
Operating profit from recurring revenue	5,948.3	4,000.9	+49%
Performance fee Income	13,892.4	12,919.9	+8%
<b>Operating profit from investment management</b>	<b>19,840.7</b>	<b>16,920.8</b>	<b>+17%</b>
Interest revenue and other income	123.5	559.0	-78%
Other income and gains/(loss) on investments	-941.9	2,552.9	-137%
Employee share-based payment expense	-911.5	-676.6	-35%
Tax expense	-3,771.7	-5,090.1	+26%
Profit attributable to non-controlling interests	-224.9	-253.2	+11%
<b>Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited</b>	<b>14,114.2</b>	<b>14,012.7</b>	<b>+1%</b>
Client Numbers (units)	956	765	+25%
Ongoing operating expenses to recurring revenue	40.37%	44.36%	+399ppt

(1) Represents management fees

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

### Financial Year 2022 ('FY22') in review

After achieving a record 1H22 result, we experienced a rapid change in the external environment as a build-up of inflationary pressures have led central banks to assertively raise rates in their attempt to contain them. The consequent upward moves in the risk-free rate have had downward price implications for almost all asset classes, including the small cap and microcap market prices which fell considerably during 3Q22 and 4Q22. These sharp market price falls during 2H22 adversely impacted our FUM, though pleasingly we still delivered positive Year-over-year (YoY) growth in FUM of +7% to \$532.5 million.

In the 2H22 we undertook a successful capital raise of \$20 million for our new *Private to Beyond the IPO Fund*. The capital raise proved to be fortunately timed, as investor sentiment after the raise deteriorated and market prices have fallen. The investment management team has maintained strong pricing discipline in its capital allocation, and we are well positioned to capture a more favourable pricing environment for any new investments the Fund may undertake. It is critical for the future of our private equity business that our maiden Fund meets our clients' return expectations.

The expansion of personnel that we undertook in FY21 allowed us to manage the growth in the business in FY22 in an effective manner upholding the high standards we set for ourselves. Additional human resources in investment management, research and client relationship management have been bedded down within a cooperative and client centric corporate culture.

### **FY22 Financial performance, record operating profit from investment management, client number growth**

While the 2H impacted our full FY22 FUM number we are pleased to report +49% growth in Operating profit from recurring revenue (which excludes performance fees) and recurring revenue rising by +39%. These are important metrics as performance fee income is not of a recurring nature and can vary wildly from year to year.

Importantly the business achieved strong YoY growth of +25% in client numbers, pleasingly client numbers grew in the 2H22 by +5.9% despite the challenging operating environment. The numbers were driven by very strong customer loyalty and continued investment in our sales and marketing activities which delivered client number growth.

### **Dividends**

The Board of Microequities Asset Management Group Limited is pleased to declare a two cent per share fully franked dividend. The dividend payment is broadly 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 strong, no financial debt**

The company continues to enjoy a very strong balance sheet with Net Tangible Assets of \$18.8 million as at the close of FY22. The business remains free of financial debt and has a net cash position of \$6.7 million.

### **FY23 Outlook**

Whilst we have started the FY23 strongly after a strong rebound in market prices for the month of July, market sentiment remains in a state of flux with polarising viewpoints on world economic growth. We expect higher than usual market volatility will remain anomalous well into 1H23, though our fellow clients will be comforted by the fact that is precisely under such environments where we cement the pillars for our funds long-term outperformance.

We remain highly committed to investing in growth and will continue to deploy economic resources in sales and marketing, highlighting our consistent and proven approach to capital deployment throughout the entirety of the market cycle. We view the current dynamics facing equity markets as one in which competent active fund managers can demonstrate their strong value proposition. There exists significant pricing dislocation and some very compelling investments within our portfolios, seeking to maximise inflows under such circumstances is therefore a sensible strategy.

Our core investment strategies in the listed companies' space have always centred on buying undervalued profitable businesses and investing in them over the long term. Qualitative attributes such as profitability, free cash flow generation, modest to no leverage are experiencing a form of renaissance in investment markets as capital is likely to become increasingly scarce over the next few years and the cost of funding rises.

We take this occasion to thank our clients for their confidence and loyalty, our shareholders for their partnership and lastly our colleagues who work tirelessly alongside us as we endeavour to achieve our objectives for all stakeholders.



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Carlos Gil  
Chief Executive Officer, Chief Investment Officer

12 August 2022

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 2022.

### 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	
	2022	2021
	\$	\$
Final dividend for the year ended 30 June 2021 of 5.0 cents per ordinary share (2021: 1.0 cent)	6,594,951	1,326,713
Interim dividend for the year ended 30 June 2022 of 6.0 cents per ordinary share (2021: 2.0 cents)	7,903,299	2,641,457
	<u>14,498,250</u>	<u>3,968,170</u>

On 12 August 2022, the directors declared a fully franked final dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share, to be paid on 2 September 2022 to eligible shareholders on the register as at 19 August 2022. This equates to a total estimated dividend of \$2,616,000 based on the number of ordinary shares on issue as at 30 June 2022. 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 \$14,114,211 (30 June 2021: \$14,012,711).

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

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2022 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.

### Business risks

The following is a summary of material business risks that could adversely affect the Group's financial performance and growth potential in future years and how the Group propose to mitigate such risks.

#### *Market Price Risks*

The Group's financial performance can be impacted by current and future economic conditions that it cannot control, such as changes to market prices of current and potential investee entities. The Group stays abreast of these conditions, focusing on diversifying the product portfolio including Private Equity and Alternative Assets to manage these risks.

#### *Risks of losing key personal*

The Group has a high performing and experienced team of employees. The risk of losing key personnel in a highly competitive market can adversely impact the Group's performance. The Group has implemented long-term incentive schemes to retain and incentivise staff and developed a strong corporate culture that promotes empowerment, engagement and input to mitigate such risks.

### 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:	Siteminder Limited (ASX: SDR)
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):	No other listed entity directorships
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	53,634,560 ordinary shares
Interests in options:	None
Interests in rights:	2,222,222 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: 493,827 performance rights

Name: Dr Alexander Abrahams  
 Title: Independent Non-Executive Director  
 Qualifications: Bachelor of Dental Surgery (Dentistry), Sydney University  
 Experience and expertise: Dr Abrahams is the founder of the ASX listed Pacific Smiles Group (ASX: PSQ). Dr Abrahams is also a director and Chair of healthcare businesses including Medical First Group Pty Limited, a multi-site GP Practice business, Enzo4D Pty Limited, a Dental Implant, Denture and laboratory business and Group Homes Australia Pty Limited, focusing on 24/7 dementia care in dedicated homes of 6-10 residents. 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: No other listed entity directorships  
 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: 695,810 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 2022, 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	10	10	4	4	2	2
Carlos Gil	10	10	4	4	-	-
Samuel Gutman	10	10	-	-	2	2
Dr Alexander Abrahams	10	10	4	4	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 \$57,500 to the chairman and \$52,500 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 2022. 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 2022, the Group did not engage any remuneration consultants.

#### *Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')*

At the 2021 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2021. 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	Cash settled	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Leslie Szekely - Chairman	52,273	-	-	5,227	-	-	-	57,500
Dr Alexander Abrahams	47,727	-	-	4,773	-	-	-	52,500
<i>Executive Directors:</i>								
Carlos Gil*	537,424	-	-	23,614	9,725	42,315	691,129	1,304,207
Samuel Gutman	162,509	-	-	15,906	2,783	9,403	-	190,601
	<u>799,933</u>	<u>-</u>	<u>-</u>	<u>49,520</u>	<u>12,508</u>	<u>51,718</u>	<u>691,129</u>	<u>1,604,808</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	Cash 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>-</u>	<u>1,257,947</u>

\* Remuneration includes \$691,129 relating to the share-based payment transaction previously accounted for as equity-settled. Upon vesting, the Group has elected to settle the vested performance rights in cash for \$1,475,209. Accordingly, the amount of \$691,129 has been recognised in the statement of profit or loss being the 'true-up' of the settlement amount and the share-based payment reserves.

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	
	2022	2021	2022	2021	2022	2021
<i>Executive directors:</i>						
Carlos Gil	44%	60%	-	-	56%	40%
Samuel Gutman	95%	100%	-	-	5%	-

### 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 2022.

#### 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 2022.

#### 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	Vesting date	Fair value per right at grant date
20/05/2022	Samuel Gutman 493,827 rights: The Group has agreed to pay Samuel Gutman a bonus in February 2026 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, if consented by Samuel 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 91% probability of meeting the performance conditions.	28/02/2026	\$0.481

Grant date	Particulars	Vesting date	Fair value per right at grant date
20/05/2022	Carlos Gil 2,222,222 rights: The Group has agreed to pay Carlos Gil a bonus in February 2026 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, if consented by Carlos 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 91% probability of meeting the performance conditions.	28/02/2026	\$0.481
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

\* 87.8% of the rights vested on this date giving a total of 1,673,615 share entitlement and these were settled in cash. The vesting price was based on a 20-day volume-weighted average price ('VWAP') price of \$0.881 per ordinary share, giving a total of \$1,475,209.

Performance rights granted carry no dividend or voting rights.

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Number of rights granted	Value of rights granted \$	Value of rights vested \$	Number of rights lapsed	Value of rights lapsed \$
Carlos Gil	2,222,222	1,081,778	1,475,209	231,901	204,409
Samuel Gutman	493,827	240,395	-	-	-

### Additional information

The earnings of the Group for the five years to 30 June 2022 are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Sales revenue*	23,991,094	20,251,529	7,590,841	7,855,401	10,965,756
Profit after income tax	14,114,211	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:

	2022	2021	2020	2019	2018
Share price at financial year end (\$)	0.64	0.70	0.30	0.26	0.71
Total dividends declared (cents per share)	11.00	3.00	2.00	2.00	2.00
Basic earnings per share (cents per share)	10.85	10.76	2.56	1.94	4.00
Diluted earnings per share (cents per share)	10.79	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*	18,947,357	-	-	-	18,947,357
Carlos Gil	53,634,560	-	-	-	53,634,560
Samuel Gutman	23,000,000	-	-	-	23,000,000
Dr Alexander Abrahams	266,008	-	429,802	-	695,810
	<u>95,847,925</u>	<u>-</u>	<u>429,802</u>	<u>-</u>	<u>96,277,727</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	2,222,222	(1,673,615)	(231,901)	2,222,222
Samuel Gutman	-	493,827	-	-	493,827
	<u>1,905,516</u>	<u>2,716,049</u>	<u>(1,673,615)</u>	<u>(231,901)</u>	<u>2,716,049</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 2022 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
20/05/2022	28/02/2026	\$0.000	2,716,049

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

The following ordinary shares of Microequities Asset Management Group Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued *
28/02/2018	\$0.000	1,115,743

\* The Group settled 1,115,743 performance rights to the participants on the vesting date 28 February 2022. Shares were allocated to the participants by the Employee Share Trust, resulting in a decrease in the number of Treasury Shares attributable to the Group.

Further, an amount of \$1,475,209 was settled in cash (as cash-settled share-based payments) towards 1,673,615 performance rights that vested to the Chief Executive Officer on 28 February 2022.

Refer to note 17 and note 29 of the notes to the consolidated financial statement for further information.

### 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**

There were no non-audit services provided during the financial year by the auditor.

**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



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Leslie Szekely  
Chairman

12 August 2022



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Carlos Gil  
Chief Executive Officer

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

As lead auditor of Microequities Asset Management Group Limited for the year ended 30 June 2022, 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.

BDO Audit Pty Ltd

*BDO*



Tim Aman  
Director

Sydney, 12 August 2022

**Microequities Asset Management Group Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**



	Note	Consolidated 2022 \$	2021 \$
<b>Revenue from contracts with customers</b>	5	23,976,899	20,239,662
Other income and (loss)/gain on investments	6	(941,868)	2,701,447
Interest revenue calculated using the effective interest method		14,195	11,867
<b>Expenses</b>			
Employee benefits expenses		(3,643,753)	(2,550,173)
Depreciation and amortisation expense	7	(207,903)	(254,702)
Legal and professional expenses		(190,834)	(105,000)
Advertising expenses		(229,288)	(103,395)
Occupancy expenses		(48,444)	(56,735)
Other expenses		(609,594)	(520,318)
Interest expense	7	(8,609)	(6,559)
<b>Profit before income tax expense</b>		18,110,801	19,356,094
Income tax expense	8	(3,771,703)	(5,090,138)
<b>Profit after income tax expense for the year</b>		14,339,098	14,265,956
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>14,339,098</u>	<u>14,265,956</u>
Profit for the year is attributable to:			
Non-controlling interest		224,887	253,245
Owners of Microequities Asset Management Group Limited		14,114,211	14,012,711
		<u>14,339,098</u>	<u>14,265,956</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		224,887	253,245
Owners of Microequities Asset Management Group Limited		14,114,211	14,012,711
		<u>14,339,098</u>	<u>14,265,956</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	28	10.85	10.76
Diluted earnings per share	28	10.79	10.53

*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 2022



	Note	Consolidated	
		2022	2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,728,635	11,816,005
Trade and other receivables	10	1,432,258	2,885,110
Other assets	11	594,658	390,568
Total current assets		<u>8,755,551</u>	<u>15,091,683</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	12	11,046,046	8,999,874
Right-of-use assets	13	717,391	87,594
Deferred tax assets	8	174,705	-
Total non-current assets		<u>11,938,142</u>	<u>9,087,468</u>
<b>Total assets</b>		<u>20,693,693</u>	<u>24,179,151</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	605,247	1,317,672
Employee benefits	15	388,556	264,757
Lease liabilities	16	195,022	88,597
Income tax payable	8	70,021	2,096,845
Total current liabilities		<u>1,258,846</u>	<u>3,767,871</u>
<b>Non-current liabilities</b>			
Employee benefits	15	78,907	34,245
Lease liabilities	16	520,810	-
Deferred tax liabilities	8	-	403,003
Total non-current liabilities		<u>599,717</u>	<u>437,248</u>
<b>Total liabilities</b>		<u>1,858,563</u>	<u>4,205,119</u>
<b>Net assets</b>		<u>18,835,130</u>	<u>19,974,032</u>
<b>Equity</b>			
Issued capital	17	2,973,619	2,269,844
Reserves	18	80,189	1,343,807
Retained earnings		15,781,312	16,360,371
Equity attributable to the owners of Microequities Asset Management Group Limited		<u>18,835,120</u>	<u>19,974,022</u>
Non-controlling interest		10	10
<b>Total equity</b>		<u>18,835,130</u>	<u>19,974,032</u>

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

	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
<b>Consolidated</b>					
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 29)	-	676,581	-	-	676,581
Repayments under loan funded share plan (note 17)	29,979	-	-	-	29,979
Share buy-back (note 17)	(393,381)	-	-	-	(393,381)
Dividends paid (note 19)	-	-	(3,968,170)	-	(3,968,170)
Distribution of profits to non-controlling interest	-	-	-	(253,245)	(253,245)
Balance at 30 June 2021	<u>2,269,844</u>	<u>1,343,807</u>	<u>16,360,371</u>	<u>10</u>	<u>19,974,032</u>
<b>Consolidated</b>					
Balance at 1 July 2021	2,269,844	1,343,807	16,360,371	10	19,974,032
Profit after income tax expense for the year	-	-	14,114,211	224,887	14,339,098
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	14,114,211	224,887	14,339,098
<i>Transactions with owners in their capacity as owners:</i>					
Share buy-back (note 17)	(169,371)	-	-	-	(169,371)
Repayments under loan funded share plan (note 17)	29,979	-	-	-	29,979
Vesting of employee shares	843,167	(648,147)	(195,020)	-	-
Share-based payments (note 29)	-	859,738	-	-	859,738
Cash settled on vesting of performance rights (note 29)	-	(1,475,209)	-	-	(1,475,209)
Dividends paid (note 19)	-	-	(14,498,250)	-	(14,498,250)
Distribution of profits to non-controlling interest	-	-	-	(224,887)	(224,887)
Balance at 30 June 2022	<u>2,973,619</u>	<u>80,189</u>	<u>15,781,312</u>	<u>10</u>	<u>18,835,130</u>

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

	Note	Consolidated 2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		28,129,334	20,229,134
Payments to suppliers and employees (inclusive of GST)		(8,269,520)	(3,731,737)
Dividends and distributions received		710,992	21,125
Interest received		13,926	12,370
Government grant received		-	148,500
Interest and other finance costs paid		(8,609)	(6,559)
Income taxes paid		(6,376,235)	(2,664,096)
Net cash from operating activities	27	<u>14,199,888</u>	<u>14,008,737</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(4,250,656)	(800,000)
Payments for security deposits		(213,608)	-
Proceeds from disposal of investments		250,000	-
Net cash used in investing activities		<u>(4,214,264)</u>	<u>(800,000)</u>
<b>Cash flows from financing activities</b>			
Repayments under loan funded share plan	17	29,979	29,979
Payments for share buy-backs	17	(169,371)	(393,381)
Repayment of lease liabilities	27	(210,465)	(255,936)
Dividends paid	19	(14,498,250)	(3,968,170)
Distribution of profits to non-controlling entity		(224,887)	(253,245)
Net cash used in financing activities		<u>(15,072,994)</u>	<u>(4,840,753)</u>
Net (decrease)/increase in cash and cash equivalents		(5,087,370)	8,367,984
Cash and cash equivalents at the beginning of the financial year		<u>11,816,005</u>	<u>3,448,021</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,728,635</u></u>	<u><u>11,816,005</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 (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (collectively referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Microequities Asset Management Group Limited's functional and presentation currency.

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 August 2022. 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

#### 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 30.

#### 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 2022 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'.

## Note 2. Significant accounting policies (continued)

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.

#### *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.



## Note 2. Significant accounting policies (continued)

### *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.

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.

## Note 2. Significant accounting policies (continued)

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.

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.

## Note 2. Significant accounting policies (continued)

### 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

Trade and other payables 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.

#### *Share-based payments*

Equity-settled and cash-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. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the Company's share price.

## Note 2. Significant accounting policies (continued)

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

When the Group chooses to settle an award in cash, the cash payment is accounted for as the repurchase of an equity interest. However, if the cash settlement option has the higher fair value, the Group recognises an additional expense for the excess value given.

### 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.

## Note 2. Significant accounting policies (continued)

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.

### 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 additional ordinary shares that would have been outstanding assuming conversion of all 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.

### 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 2022. 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.

#### *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 cash 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 20 'Financial instruments'.

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

#### Note 5. Revenue from contracts with customers

	Consolidated	
	2022	2021
	\$	\$
Management fees	9,975,089	7,190,465
Performance fees	13,892,431	12,919,876
Other revenue	109,379	129,321
	<u>23,976,899</u>	<u>20,239,662</u>

#### Disaggregation of revenue

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

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

	Consolidated	
	2022	2021
	\$	\$
Dividends and distributions	1,298,195	294,632
Unrealised (loss)/gain on investments	(2,233,013)	2,258,315
Realised loss on investments	(7,050)	-
Government grants*	-	148,500
	<u>(941,868)</u>	<u>2,701,447</u>

\* During the previous financial year, the Group received \$111,000 JobKeeper support payments and \$37,500 assistance as part of its 'Boosting Cash Flow for Employers' scheme from the Australian Government in response to the Coronavirus ('COVID-19') pandemic.

## Note 7. Expenses

	Consolidated 2022 \$	2021 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office premises right-of-use assets	207,903	254,702
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	8,609	6,559
<i>Superannuation expense</i>		
Defined contribution superannuation expense	193,349	124,291

## Note 8. Income tax

	Consolidated 2022 \$	2021 \$
<i>Income tax expense</i>		
Current tax	4,349,411	4,501,431
Deferred tax - origination and reversal of temporary differences	(577,708)	592,534
Adjustment recognised for prior periods	-	(3,827)
Aggregate income tax expense	<u>3,771,703</u>	<u>5,090,138</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(577,708)	592,534
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	18,110,801	19,356,094
Tax at the statutory tax rate of 25% (2021: 26%)	4,527,700	5,032,584
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	1,159	-
Share-based payments	(147,010)	175,911
Contributions to employee share scheme	(383,693)	-
Tax impact of franked dividends received	(52,239)	(38,938)
Tax on government subsidy	-	(9,750)
Non-taxable income attributable to non-controlling interest	(56,222)	(65,844)
Sundry items	(539)	2
Tax deferred on trust distributions	(117,453)	-
Adjustment recognised for prior periods	-	(3,827)
Income tax expense	<u>3,771,703</u>	<u>5,090,138</u>





**Note 10. Trade and other receivables (continued)**

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 2022 and 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:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022	2021	2022	2021	2022	2021
	%	%	\$	\$	\$	\$
Not overdue	-	-	867,407	2,627,152	-	-

**Note 11. Other assets**

	Consolidated	
	2022	2021
	\$	\$
<i>Current assets</i>		
Prepayments	91,630	101,148
Term deposits	453,937	240,329
Other current assets	49,091	49,091
	<u>594,658</u>	<u>390,568</u>

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

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Investment in unlisted Australian unit trusts - designated at fair value through profit or loss	<u>11,046,046</u>	<u>8,999,874</u>

Refer to note 21 for further information on fair value measurement.

**Note 13. Right-of-use assets**

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Right-of-use assets	1,444,138	606,438
Less: Accumulated depreciation	<u>(726,747)</u>	<u>(518,844)</u>
	<u>717,391</u>	<u>87,594</u>

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

The Group leases office premises under an operating lease expiring in December 2025. 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:

<b>Consolidated</b>	<b>Office Premises \$</b>
Balance at 1 July 2020	132,071
Additions	210,225
Depreciation expense	<u>(254,702)</u>
Balance at 30 June 2021	87,594
Additions	837,700
Depreciation expense	<u>(207,903)</u>
Balance at 30 June 2022	<u><u>717,391</u></u>

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 16 and note 27 for details of lease liabilities at the beginning and end of the reporting period; and
- Refer note 20 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

	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<i>Current liabilities</i>		
Trade payables	185,072	280,124
Accruals and other payables	<u>420,175</u>	<u>1,037,548</u>
	<u><u>605,247</u></u>	<u><u>1,317,672</u></u>

Refer to note 20 for further information on financial instruments.

### Note 15. Employee benefits

	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<i>Current liabilities</i>		
Employee leave liability	<u>388,556</u>	<u>264,757</u>
<i>Non-current liabilities</i>		
Employee leave liability	27,189	34,245
Cash settled share-based payment	<u>51,718</u>	<u>-</u>
	<u>78,907</u>	<u>34,245</u>
	<u><u>467,463</u></u>	<u><u>299,002</u></u>

**Note 16. Lease liabilities**

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	195,022	88,597
<i>Non-current liabilities</i>		
Lease liability	520,810	-
	<u>715,832</u>	<u>88,597</u>

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

Refer to note 20 for further information on financial instruments.

**Note 17. Issued capital**

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	133,616,429	131,899,017	4,652,250	3,286,848
Less: Treasury shares	(2,836,583)	(2,057,544)	(1,678,631)	(1,017,004)
	<u>130,779,846</u>	<u>129,841,473</u>	<u>2,973,619</u>	<u>2,269,844</u>

*Movements in ordinary share capital*

Details	Date	Shares	\$
Balance	1 July 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	131,899,017	3,286,848
Share buy-back	4 November 2021	(78,688)	(73,253)
Share buy-back	18 November 2021	(64,271)	(62,706)
Share buy-back	19 November 2021	(34,411)	(33,412)
Issue of shares under Employee Share Trust Plan	3 May 2022	1,894,782	1,534,773
Balance	30 June 2022	<u>133,616,429</u>	<u>4,652,250</u>

## Note 17. Issued capital (continued)

### Movements in Treasury shares

Details	Date	Shares	\$
Balance	1 July 2020	(2,057,544)	(1,046,983)
Repayment of loan		-	29,979
Balance	30 June 2021	(2,057,544)	(1,017,004)
Vesting of employee share units		1,115,743	843,167
Issue of shares under Employee Share Trust Plan	3 May 2022	(1,894,782)	(1,534,773)
Repayment of loan		-	29,979
Balance	30 June 2022	<u>(2,836,583)</u>	<u>(1,678,631)</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 (2021: 787,200) shares issued under a Loan Funded Share Plan and 2,049,383 (2021: 1,270,344) shares issued under an Employee Share Trust Plan.

### 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 29 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 29 for further details.

### Share buy-back

During the financial year, the Company bought back 177,370 shares at a cost of \$169,371. The buy-back program is expected to expire on 10 October 2022.

### 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.

### Note 17. Issued capital (continued)

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 2022 to maintain the Group's existing business activities and facilitate growth.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

### Note 18. Reserves

	Consolidated	
	2022	2021
	\$	\$
Share-based payments reserve	80,189	1,343,807

#### 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.

#### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$
Balance at 1 July 2020	667,226
Share-based payments	676,581
Balance at 30 June 2021	1,343,807
Share-based payments	859,738
Vesting of employee share units	(648,147)
Cash settled share-based payment on vesting of performance rights	(1,475,209)
Balance at 30 June 2022	80,189

### Note 19. Dividends

#### Dividends

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

	Consolidated	
	2022	2021
	\$	\$
Final dividend for the year ended 30 June 2021 of 5.0 cents per ordinary share (2021: 1.0 cent)	6,594,951	1,326,713
Interim dividend for the year ended 30 June 2022 of 6.0 cents per ordinary share (2021: 2.0 cents)	7,903,299	2,641,457
	<u>14,498,250</u>	<u>3,968,170</u>

On 12 August 2022, the directors declared a fully franked final dividend for the year ended 30 June 2022 of 2.0 cents per ordinary share, to be paid on 2 September 2022 to eligible shareholders on the register as at 19 August 2022. This equates to a total estimated dividend of \$2,616,000 based on the number of ordinary shares on issue as at 30 June 2022. The financial effect of dividends declared after the reporting date are not reflected in the financial statements and will be recognised in subsequent financial statements.

## Note 19. Dividends (continued)

### Franking credits

	Consolidated 2022 \$	Consolidated 2021 \$
Franking credits available for subsequent financial years based on a tax rate of 25% (2021: 26%)	<u>5,549,977</u>	<u>4,078,603</u>

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 20. 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.

#### 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 - 2022	% 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>1,104,605</u>	<u>828,453</u>	(10%)	<u>(1,104,605)</u> <u>(828,453)</u>

**Note 20. Financial instruments (continued)**

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>

**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 2022 owed the Group 95% (2021: 89%) 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.

**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 - 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	185,072	-	-	-	185,072
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.00%	209,691	218,078	342,426	-	770,195
Total non-derivatives		<u>394,763</u>	<u>218,078</u>	<u>342,426</u>	-	<u>955,267</u>



**Note 20. Financial instruments (continued)**

<b>Consolidated - 2021</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<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
<b>Total non-derivatives</b>		<b>369,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369,593</b>

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

**Note 21. 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

<b>Consolidated - 2022</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Investment in unlisted Australian unit trusts	-	9,017,038	2,029,008	11,046,046
<b>Total assets</b>	<b>-</b>	<b>9,017,038</b>	<b>2,029,008</b>	<b>11,046,046</b>
<b>Consolidated - 2021</b>				
<b>Assets</b>				
Investment in unlisted Australian unit trusts	-	8,999,874	-	8,999,874
<b>Total assets</b>	<b>-</b>	<b>8,999,874</b>	<b>-</b>	<b>8,999,874</b>

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. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and 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.

The balance disclosed in level 3 fair value hierarchy relates to a unitholding in a fund acquired during the year for which Microequities Asset Management Pty Limited is the trustee. The number of units held by the Group is approximately 3% of the fund. The fund's portfolio is comprised of cash, listed securities, convertible notes and unlisted private securities. The fund is a close ended fund which had been set up during the financial year.

#### Note 21. Fair value measurement (continued)

Given the fund is newly set up, the fund's current valuation methodology for its net asset value (NAV) reflects best estimate of the trustee including valuing at initial cost (transaction price) unless there is an indication (via a third party transaction) that the net realisable value has increased above or reduced below cost. Where there has been a recent capital transaction occurring in those unlisted securities during the financial year ended 30 June 2022, the unlisted securities were revalued to the latest transacted price.

The directors have assessed that the fair value of the Group's investment in the fund currently approximates the NAV of the fund. The valuation process and methodology adopted by the Group will be re-assessed for the subsequent financial years as data (such as observable and unobservable inputs) becomes available. As such, any unobservable inputs, assumptions and sensitivity analysis thereof will be disclosed in future period's financial statements.

#### Note 22. 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:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	44,400	40,400

#### Note 23. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2022 and 30 June 2021.

#### Note 24. 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	
	2022	2021
	\$	\$
Short-term employee benefits	799,933	783,327
Post-employment benefits	49,520	44,354
Long-term benefits	12,508	33,615
Share-based payments	742,847	396,651
	<u>1,604,808</u>	<u>1,257,947</u>

#### Note 25. Related party transactions

##### *Parent entity*

Microequities Asset Management Group Limited is the parent entity.

##### *Subsidiaries*

Interests in subsidiaries are set out in note 26.

##### *Key management personnel*

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

## Note 25. Related party transactions (continued)

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2022	2021
	\$	\$
Sale of goods and services:		
Management fees from Funds for which the Group is a Trustee	9,731,516	7,141,393
Performance fees from Funds for which the Group is a Trustee	13,892,431	12,919,876

### 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.

### Investments

99% of the financial assets at fair value through profit or loss disclosed in note 12 are investments in Funds for which the Group is a Trustee or Fund Manager.

### Terms and conditions

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

## Note 26. 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	
		2022 %	2021 %
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 27. Cash flow information**

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	14,339,098	14,265,956
Adjustments for:		
Depreciation and amortisation	207,903	254,702
Net fair value loss on investments	7,050	-
Net fair value loss/(gain) on other financial assets	2,233,013	(2,258,315)
Share-based payments	859,738	676,581
Cash-settled share-based payments	(1,475,209)	-
Dividend income- non-cash	(285,579)	(57,574)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,452,852	(2,249,924)
Decrease/(increase) in deferred tax assets	(174,705)	189,531
Decrease/(increase) in prepayments	9,518	(9,125)
Increase/(decrease) in trade and other payables	(712,424)	886,407
Increase/(decrease) in provision for income tax	(2,026,825)	2,071,084
Increase/(decrease) in deferred tax liabilities	(403,003)	165,427
Increase in employee benefits	168,461	73,987
Net cash from operating activities	<u>14,199,888</u>	<u>14,008,737</u>

*Non-cash investing and financing activities*

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Additions to the right-of-use assets	837,700	210,225
Additions to investment by reinvestment of dividends	285,579	57,574
	<u>1,123,279</u>	<u>267,799</u>

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	<b>Lease liabilities</b>
	<b>\$</b>
Balance at 1 July 2020	134,308
Net cash used in financing activities	(255,936)
Acquisition of leases	210,225
Balance at 30 June 2021	88,597
Net cash used in financing activities	(210,465)
Acquisition of leases	837,700
Balance at 30 June 2022	<u>715,832</u>

## Note 28. Earnings per share

	Consolidated	
	2022	2021
	\$	\$
Profit after income tax	14,339,098	14,265,956
Non-controlling interest	(224,887)	(253,245)
Profit after income tax attributable to the owners of Microequities Asset Management Group Limited	<u>14,114,211</u>	<u>14,012,711</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,105,202	130,221,102
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	537,284	387,441
Performance rights over ordinary shares	110,442	2,514,950
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>130,752,928</u>	<u>133,123,493</u>
	Cents	Cents
Basic earnings per share	10.85	10.76
Diluted earnings per share	10.79	10.53

The weighted average number of ordinary shares for the year ended 30 June 2022 does not include 2,836,583 treasury shares (2021: 2,057,544).

## Note 29. Share-based payments

The share-based payment expense for the year was \$911,456 (including cash-settled share-based payments of \$51,718) (2021: \$676,581).

### Loan Funded Share Plan ('LFSP')

As detailed in note 17, 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:

2022							
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
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>

**Note 29. Share-based payments (continued)**

Weighted average exercise price	\$0.267	\$0.000	\$0.000	\$0.000	\$0.267
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The weighted average share price during the financial year was \$0.841 (2021: \$0.526).

The weighted average remaining contractual life of options outstanding at the end of the financial year was nil years (2021: nil years).

Whilst 787,200 shares (2021: 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. 87.8% of the rights were vested giving a total of 1,673,615 shares and these were settled in cash. The vesting price was based on a 20-day volume-weighted average price ('VWAP') of \$0.881 per share, resulting in a cash payment of \$1,475,209.

On 20 May 2022, the Group granted 2,716,049 performance rights to pay a bonus in February 2026 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, if consented by the employee 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 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. 87.8% of the units were vested during the current financial years giving a total of 1,115,743 shares, and these were settled in shares by the employee share trust.

On 20 April 2022, the Group granted 2,049,393 share units (unvested) under the ESTP. The units vest (over a 4-year vesting period) 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:

**2022**

Grant date	Vesting 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	-	(1,673,615)	(231,901)	-
28/02/2018	28/02/2022	\$0.000	1,270,344	-	(1,115,743)	(154,601)	-
20/04/2022	28/02/2026	\$0.000	-	2,049,383	-	-	2,049,383
20/05/2022	28/02/2026	\$0.000	-	2,716,049	-	-	2,716,049
			<u>3,175,860</u>	<u>4,765,432</u>	<u>(2,789,358)</u>	<u>(386,502)</u>	<u>4,765,432</u>

**Note 29. Share-based payments (continued)**

2021

Grant date	Vesting 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>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.67 years (2021: 0.67 years).

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20/04/2022	28/02/2026	\$0.810	\$0.000	19.94%	13.58%	3.27%	\$0.810
20/05/2022	28/02/2026	\$0.810	\$0.000	19.94%	13.58%	3.27%	\$0.481

**Note 30. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	Parent	
	2022	2021
	\$	\$
Profit after income tax	<u>11,800,975</u>	<u>18,079,232</u>
Total comprehensive income	<u>11,800,975</u>	<u>18,079,232</u>

*Statement of financial position*

	Parent	
	2022	2021
	\$	\$
Total current assets	<u>7,814,885</u>	<u>13,373,139</u>
Total assets	<u>18,861,041</u>	<u>22,373,123</u>
Total current liabilities	<u>444,910</u>	<u>2,096,844</u>
Total liabilities	<u>407,709</u>	<u>2,617,897</u>
Equity		
Issued capital	4,625,225	3,229,844
Retained earnings	<u>13,828,107</u>	<u>16,525,382</u>
Total equity	<u><u>18,453,332</u></u>	<u><u>19,755,226</u></u>

### Note 30. Parent entity information (continued)

#### *Issued capital*

Issued capital disclosed above includes \$1,651,606 (2021: \$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 2022 and 30 June 2021.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

#### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

#### *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 31. Events after the reporting period

Apart from the dividend declared as disclosed in note 19, no other matter or circumstance has arisen since 30 June 2022 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 2022 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



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Leslie Szekely  
Chairman



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Carlos Gil  
Chief Executive Officer

12 August 2022

## 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 2022, 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 2022 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.</p> <p>In FY22, the Group continues to recognise a significant amount of performance fees, \$13.9m which was an increase of 8% from prior year. 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 and share market adjustments, required additional audit attention. Furthermore, majority of the balance is received from related party funds which the Group manages.</p> <p>In addition, there was an increase of management fees received from funds managed by the Group.</p> <p>There is also a presumed risk of fraud with respect to revenue in accordance with ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report.</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"> <li>• Reviewed revenue recognition policy for all material income streams to identify whether it is in accordance with AASB 15 Revenue from Contracts with Customers and consistent with the Group's accounting policies.</li> <li>• 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.</li> <li>• Performed analytical procedures to confirm the completeness and accuracy of revenue.</li> <li>• Performed substantive detailed testing on all other material streams of revenue.</li> </ul>

### 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>In the current financial year, the Group invested in an unlisted unit trust (Microequities Private to Beyond IPO) that holds a portfolio of assets which comprise cash, listed securities, convertible notes and unlisted private companies. Indirectly, the Group is exposed to the complexity and subjectivity inherent fair valuation of convertible notes and unlisted private companies.</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>In addition, fair valuation hierarchy disclosure in the financial statements can be subjective.</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"> <li>• 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.</li> <li>• Obtained and agreed the investment schedule to the general ledger and financial report.</li> <li>• Performed a look-through assessment including obtaining the financial statements of the underlying funds, and assessing whether the Net Asset Value (NAV) of the funds approximate fair value.</li> <li>• Recalculated the unit prices based on confirmation of unit prices received from fund managers.</li> <li>• Confirmed directly with the respective fund managers if the funds were frozen for redemption as at 30 June 2022.</li> <li>• Assessed the fair value hierarchy disclosures and performed a look-through analysis to confirm that the fair value hierarchy assessment of Level 2 and Level 3 for these assets are appropriate.</li> </ul>

### 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 2022, 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](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 or pages 7 to 12 of the directors' report for the year ended 30 June 2022.


In our opinion, the Remuneration Report of Microequities Asset Management Group Limited, for the year ended 30 June 2022, 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, 12 August 2022

The shareholder information set out below was applicable as at 2 August 2022.

### Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	72	0.03
1,001 to 5,000	199	0.44
5,001 to 10,000	129	0.73
10,001 to 100,000	312	8.29
100,001 and over	87	90.51
	<b>799</b>	<b>100.00</b>
Holding less than a marketable parcel	50	-

### 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	40.14
Gutman Investment Partners Pty Ltd	23,000,000	17.21
Szekely SMSF Pty Ltd	12,991,949	9.72
Bellite Pty Ltd	5,955,408	4.46
Design Mangement Investment Pty Ltd	2,662,376	1.99
Microequities Employee Share Trust	2,049,383	1.53
BNP Paribas Nominees Pty Ltd	801,170	0.60
Mr Shuo Yang	787,200	0.59
Falcon Street Investment Partners Pty Ltd	781,992	0.59
BCDO Pty Limited	777,752	0.58
IME Holdings Pty Ltd	770,000	0.58
GA Pease Holdings Pty Ltd	742,890	0.56
Ozsun investments Pty Ltd	645,000	0.48
I M E investments Pty Ltd	630,000	0.47
Elysium Family Super Pty limited	532,672	0.40
Mann Superannuation Fund Pty Ltd	532,672	0.40
JMAS Pty Ltd	532,016	0.40
Mr Alan Geoffrey Blackburn	500,000	0.37
C & M Lavers Pty Ltd	459,017	0.34
Portland 41 Pty Limited	419,272	0.31
	<b>109,205,329</b>	<b>81.72</b>

#### 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	2,716,049	2

### Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Gil Investment Company Pty Ltd	53,634,560	40.14
Gutman Investment Partners Pty Ltd	23,000,000	17.21
Szekely SMSF Pty Ltd and Bellite Pty Ltd	18,947,357	14.18

### 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



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	<a href="http://microequities.com.au/">http://microequities.com.au/</a>
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: <a href="http://microequities.com.au/governance-policies/">http://microequities.com.au/governance-policies/</a></p>