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MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
ABN 17 110 777 056

CONSOLIDATED FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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MICROEQUITIES LIMITED AND CONTROLLED ENTITIES**A.B.N. 17 110 777 056**

Director's Report

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the 'Group') consisting of Microequities Limited (referred to hereafter as the 'Company' or 'Microequities') and the entities it controlled at the end of, or from 1 July 2017 to 31 December 2017.

Directors

The following persons were directors of Microequities during the whole of the financial period and up to the date of this report, unless otherwise stated:

Carlos Gil
Samuel Gutman
Leslie Szekely
Craig Shapiro

Principal activities

The principal activity of the consolidated entity during the financial period was primarily the management of investment funds.

No significant changes in the nature of the activities of the Group occurred during the financial period.

Review of Operations

The profit of the consolidated entity for the half year after providing for income tax amounted to \$2,958,104.

Dividend

A dividend of \$2,645,000 was declared to shareholders during the half year.

Registered Office

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

Share Options

No options were issued during the period. There are 8,187 share options outstanding as at the half year ended 31 December 2017 (31 December 2016: 8,187).

Significant Changes in State of Affairs

Other than already noted in this report, there were no significant changes in the state of affairs of the group during the half year.

Likely developments and expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Matters subsequent to the end of the half year

There has not arisen any matter of a material and unusual nature, in the opinion of the directors of the Group between the end of the half year and the date of this report, to affect substantially:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Environmental Regulation and Performance

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that no such regulations are applicable.

Directors' Interests and Benefits

Microequities Asset Management Pty Ltd is a limited partner in the Microequities Venture Capital Managing Partnership LP together with an entity associated with Leslie Szekely. The Partnership Deed was entered into on commercial terms on an arms' length basis and has conducted business since the 2017 financial year on an arms' length basis.

Except for the above, no director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the Company, controlled entity or a related body corporate with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the Group's accounts, or the fixed salary of a full time employee of the Company, controlled entity or related body corporate.

Insurance of Officers

The Company has paid premiums to insure the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

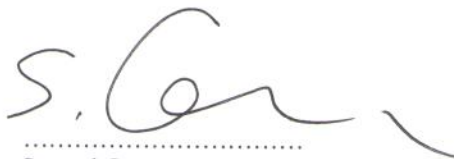
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a Resolution of the Directors.



.....
Carlos Gil
Director
13 February 2018



.....
Samuel Gutman
Director
13 February 2018

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MICROEQUITIES LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Prosperity Audit Services

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LUKE MALONE
Partner
13 February 2018
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Standards Legislation.



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EXCELLENCE

MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 110 777 056

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Half-year Ended 31 Dec 2017 \$	Half-year Ended 31 Dec 2016 \$
Income		
Revenue	3,427,601	2,269,370
Performance Fees	1,981,576	7,213,277
Investment Income	41,123	245,970
Other Income	193,333	184,992
Total Income	5,643,633	9,913,609
Expenses		
Accounting and Audit Fees	10,843	7,500
Advertising	139,056	90,221
Employee Benefits Expense	1,021,409	806,031
Legal and Tax Fees	3,000	11,280
Other Expenses	261,749	233,252
Rent Expense	138,496	37,354
Total Expenses	1,574,553	1,185,638
Profit / (Loss) Before Income Tax Expenses	4,069,080	8,727,971
Income Tax (Benefit) / Expense	1,110,976	2,545,127
Profit / (Loss) After Income Tax Expenses	2,958,104	6,182,844
Other Comprehensive Income	-	-
Total Comprehensive Income	2,958,104	6,182,844
Total Comprehensive Income Attributable to:		
- Shareholders of Microequities Limited	2,820,064	6,113,844
- Non-controlling Interests	138,040	69,000
	2,958,104	6,182,844

The accompanying notes form part of these of these financial statements.

MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 110 777 056

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	As at 31 Dec 2017 \$	As at 30 Jun 2017 \$
Current Assets		
Cash and cash equivalents	5,939,119	3,715,138
Trade and other receivables	930,171	3,906,388
Financial assets	-	950,983
Other current assets	34,644	49,644
Total current assets	6,903,934	8,622,153
Non-Current Assets		
Financial assets	2,795,841	1,842,883
Other non-current assets	265,332	265,332
Deferred tax assets	65,080	65,080
Total non-current assets	3,126,253	2,173,295
Total Assets	10,030,187	10,795,448
Current Liabilities		
Trade and other payables	611,339	670,439
Provisions for leave liability	188,062	210,381
Dividend payable	1,650,000	2,300,000
Provision for income tax	1,225,182	1,434,088
Total current liabilities	3,674,583	4,614,908
Non-Current Liabilities		
Deferred tax liabilities	32,256	32,256
Total non-current liabilities	32,256	32,256
Total Liabilities	3,706,839	4,647,164
Net Assets	6,323,348	6,148,284
Equity		
Issued capital	2,970,655	2,970,655
Non-controlling interest	10	202,773
Retained earnings	3,352,683	2,974,856
Total Equity	6,323,348	6,148,284

The accompanying notes form part of these of these financial statements.

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MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 110 777 056

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017

	Issued Capital \$	Retained Earnings \$	Non- Controlling Interest \$	Total \$
Balance at 1 July 2017	2,970,655	2,974,856	202,773	6,148,284
Net profit for the period	-	2,820,064	138,040	2,958,104
Other comprehensive income/(loss) for the period	-	-	-	-
Total comprehensive income/(loss) for the period	-	2,820,064	138,040	2,958,104
Transactions with owners/partners in their capacity as owner/partners				
Reclassification to non-controlling interest	-	202,763	(202,763)	-
Dividends issued	-	(2,645,000)	-	(2,645,000)
Distribution of profits to non-controlling entity	-	-	(138,040)	(138,040)
Balance at 31 December 2017	2,970,655	3,352,683	10	6,323,348
Balance at 1 July 2016	2,970,645	2,323,547	-	5,294,192
Net profit for the period	-	6,113,844	69,000	6,182,844
Other comprehensive income/(loss) for the period	-	-	-	-
Total comprehensive income/(loss) for the period	-	6,113,844	69,000	6,182,844
Transactions with owners/partners in their capacity as owner/partners				
Capital contributed by non-controlling entity	10	-	10	20
Dividends issued	-	(5,710,484)	-	(5,710,484)
Distribution of profits to non-controlling entity	-	-	(69,000)	(69,000)
Balance at 31 December 2016	2,970,655	2,726,907	10	5,697,572

The accompanying notes form part of these of these financial statements.

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MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
A.B.N. 17 110 777 056

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2017

	Half-year Ended 31 Dec 2017	Half-year Ended 31 Dec 2016
	\$	\$
Cash flows from operating activities:		
Receipts from customers	9,025,840	10,292,759
Interest received	77,390	63,163
Payments to suppliers and employees	(2,127,972)	(1,643,200)
Income tax paid	(1,319,883)	(1,559,253)
Net cash generated/(used) in operating activities	<u>5,655,375</u>	<u>7,153,469</u>
Cash flows from investing activities:		
Proceeds from sale of investments/capital returns	1,018,434	45,000
Payments for investments	(1,016,778)	(157,673)
Net cash generated/(used) in investing activities	<u>1,656</u>	<u>(112,673)</u>
Cash flows from financing activities:		
Proceeds from share issue	-	-
Capital contributed by non-controlling entity	-	10
Distribution of profits to non-controlling entity	(138,040)	(69,000)
Dividends paid	(3,295,000)	(4,456,867)
Net cash generated/(used) in financing activities	<u>(3,433,040)</u>	<u>(4,525,857)</u>
Net increase in cash and cash equivalents	2,223,991	2,514,939
Cash and cash equivalents at beginning of the period	<u>3,715,128</u>	<u>2,575,964</u>
Cash and cash equivalents at end of the period	<u><u>5,939,119</u></u>	<u><u>5,090,903</u></u>

The accompanying notes form part of these of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial statements cover Microequities Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Microequities Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the half-year ended 31 December 2017.

Name of Subsidiary	Country	Ownership Interest Held by the Group	
		2017 %	2016 %
Microequities Asset Management Pty Ltd	Australia	100%	100%
Microequities Venture Capital Pty Ltd	Australia	100%	-
Microequities Venture Capital Fund Managing Partnership LP	Australia	50%	-

The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest dollar unless otherwise stated. The Company is a for-profit unlisted public company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 February 2018.

NOTE 2. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These general purpose financial statements have been prepared on a historical cost basis, except for a few items where the basis used will be explicitly stated in the relevant note. The directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the special purpose annual report for the year ended 30 June 2017.

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

New, revised or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised 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 consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, and recognition of revenue when each performance obligation is satisfied. The Group has at this time not assessed the impact of this standard.

NOTES TO THE FINANCIAL STATEMENTS

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in Other Comprehensive Income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. The Group has at this time not assessed the impact of this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). The impact of this standard on the financial statements of the Group is yet to be assessed.

NOTE 3. DIVIDENDS

	31 Dec 2017	31 Dec 2016
	\$	\$
Final fully franked ordinary dividend declared during the period franked at the tax rate of 27.5% (2016: 27.5%)	2,645,000	5,710,484

NOTE 4. RELATED PARTY TRANSACTIONS

a) Transactions with related parties	31 Dec 2017	31 Dec 2016
	\$	\$
Payments made to related parties	1,233	493,995

In January 2014, the Microequities Board formally ratified specific management and performance fee arrangements which were in place with its then sole three shareholders. These fee arrangements specifically covered a number of its special purpose vehicles in existence at the time and did not extend beyond those specific vehicles. Those fee legacy arrangements will remain in place until such time as those SPVs are fully unwound.

b) Balances with related parties	31 Dec 2017	30 June 2017
Amounts due from related parties		
Loan to shareholders	299,976	314,976
Amounts due to related parties		
Amounts due to non-controlling entity	38,873	24,480

NOTE 5. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group has no contingencies at 31 December 2017 (31 December 2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. COMMITMENTS

The company's operating lease commitments are representative of non-cancellable operating leases expiring on 14 October 2018 and 31 December 2020 respectively. The lease commitments are as follows:

	31 Dec 2017	30 June 2017
	\$	\$
Within one year	316,727	327,394
Later than one year but not later than 5 years	541,466	691,537
Later than five years	-	-
	<u>858,193</u>	<u>1,018,931</u>

There is a sublease agreement in place relating to the operating lease expiring on 14 October 2018. The amounts shown in the table above do not reflect any reduction in net operating lease commitments as a consequence of this sublease arrangement.

NOTE 7. 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. The Directors (who are identified as the CODM) assess performance and determine the allocation of resources based on the internal reports which are organised in one operating segment for budgetary and management accounting purposes. As a result, there is only one operating segment and the statement of profit or loss and other comprehensive income and the statement of financial position is reflective of this operating segment.

NOTE 8. EVENTS AFTER THE END OF THE HALF YEAR

There has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

MICROEQUITIES LIMITED AND CONTROLLED ENTITIES

A.B.N. 17 110 777 056

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



.....
Carlos Gil
Director
13 February 2018



.....
Samuel Gutman
Director
13 February 2018

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
FOR THE PERIOD ENDED 31 DECEMBER 2017**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Microequities Limited and Controlled Entities ('the Group'), which comprises the consolidated condensed statement of financial position as at 31 December 2017, the consolidated condensed statement of profit or loss, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Microequities Limited and Controlled Entities ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MICROEQUITIES LIMITED AND CONTROLLED ENTITIES
FOR THE PERIOD ENDED 31 DECEMBER 2017 (cont'd)**

Conclusion

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

- (i) giving a true and fair view of Microequities Limited and Controlled Entities' financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES

[Signature]

LUKE MALONE
Partner
13 February 2018
Sydney