



23 August 2018

Key Financial Highlights

	30 June 2018	30 June 2017	% Change
Funds Under Management (\$m)	432.4	365.3	18.4%
Client Numbers	839	769	9.1%
Recurring Revenue ⁽¹⁾	\$7,014,414	\$4,938,006	42.0%
Ongoing Operating Expenses	\$3,160,058	\$2,547,902	24.0%
Operating Profit from Recurring Revenue	\$3,854,356	\$2,390,104	61.3%
Performance Fee Income	\$3,503,215	\$10,205,518	-65.7%
Other Revenue	\$702,379	\$375,438	87.1%
Underlying NPAT ⁽²⁾	\$5,636,444	\$9,292,556	-39.3%
Statutory NPAT	\$5,214,479	\$9,292,556	-43.9%

⁽¹⁾ Represents management fees

⁽²⁾ Underlying NPAT excludes the after tax cost of listing expenses and employee share based payment expenses

Review of FY18 Result

FY18 marked a year of continued strong growth for the business with fee earning FUM increasing by +18.4% to \$432.4m. Operating profit from recurring revenue increased by +61.3%, whilst client numbers rose by +9.1% to 839. All the open-ended funds managed by Microequities recorded positive absolute returns for the period. The company successfully launched its new Pure Microcap Value Fund, a product with a strong nexus to the microcap asset class heritage of the business. This fund has received strong support from investors and nicely compliments our small cap and microcap focused product offering. The financial year also saw our flagship investment fund, the Deep Value Fund reopen to new investors as the investment management team identified an array of attractive investment opportunities at deep value price points.

Dividend

The board is pleased to declare a 1 cent per share fully franked dividend. The record date for the dividend is 29 August 2018 and the payment date is 13 September 2018.

Balance Sheet continues to strengthen

The company remains debt free and further solidified its financial position with Net Tangible Assets increasing by \$2.9m to \$8.8m.

Focus for FY19 and strategy

Microequities' core distribution channel has historically centred on the wholesale self-directed investor. This market represents only a small portion of Australia's wealth industry. Over the course of FY19 the company will make available its proven and highly differentiated income and capital growth strategy to retail investors via platforms and advisor distribution channels which represent a far larger addressable market. This will mark a significant strategic step as the company works towards its medium term FUM objectives and expands its distribution reach.

FY19 will see continued focus on operational improvements designed to deliver our most important stakeholders, our clients, an exceptional relationship journey.

Microequities Asset Management Group Limited

-ends-

About Microequities (ASX:MAM): Microequities is a boutique value driven Fund manager specialised in exchange listed industrial microcaps and small caps. Established in 2005 as an investment research house, the company expanded into funds management in early 2009 by launching its flagship fund - the Deep Value Fund. Today Microequities manages five investment funds and has over \$400m of funds under management. For further information visit www.microequities.com.au

1. Company details

Name of entity:	Microequities Asset Management Group Limited
ABN:	17 110 777 056
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

	2018 \$	2017 \$	Change \$	Change %
Funds Under Management	432,388,056	365,251,893	67,136,163	18%
	2018 \$	2017 \$	Change \$	Change %
Summary consolidated statement of profit or loss				
Recurring revenue ¹	7,014,414	4,938,006	2,076,408	42%
Ongoing operating expenses ²	(3,160,058)	(2,547,902)	(612,156)	24%
Operating profit from recurring revenue	3,854,356	2,390,104	1,464,252	61%
Performance fee income	3,503,215	10,205,518	(6,702,303)	(66%)
Other revenue	289,357	297,637	(8,280)	(3%)
Other income and gains/(loss) on investments	413,022	77,801	335,221	431%
Listing expenses	(447,735)	-	(447,735)	-
Employee share based payment expense	(327,597)	-	(327,597)	-
Tax expense	(1,804,019)	(3,475,741)	1,671,722	(48%)
Profit attributable to non-controlling interests	(266,120)	(202,763)	(63,357)	31%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	5,214,479	9,292,556	(4,078,077)	(44%)
Revenue from ordinary activities ³	10,806,986	15,441,161	(4,634,175)	(30%)
Profit for the year attributable to the owners of Microequities Asset Management Group Limited	5,214,479	9,292,556	(4,078,077)	(44%)

¹ Represents management fees

² Excludes costs related to the initial public offering and employee share based payment expense

³ Revenue from ordinary activities represents management fees, performance fee income and other revenue

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2018 paid on 6 October 2017	0.756	0.756
Interim dividend for the year ended 30 June 2018 paid on 4 January 2018	1.253	1.253

On 23 August 2018, the directors declared a fully franked dividend for the year ended 30 June 2018 of 1 cent per ordinary share with record date of 29 August 2018 and payment date of 13 September 2018.

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$5,214,479 (30 June 2017: \$9,292,556).

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>6.74</u>	<u>4.48</u>

The net tangible assets per ordinary security is calculated based on 130,300,297 ordinary shares on issue as at 30 June 2018 (excluding 2,637,776 treasury shares). The previous period net tangible assets per ordinary security is calculated based on 130,300,296 ordinary shares (excluding 1,367,432 treasury shares) that would have been in existence had the share-split occurred as at 30 June 2017.

4. Audit qualification or review

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

The financial statements are currently in the process of being audited and an unqualified opinion is expected to be issued.

5. Attachments

Details of attachments (if any):

The Annual Report of Microequities Asset Management Group Limited for the year ended 30 June 2018 is attached.

6. Signed



Signed _____

Leslie Szekely
Chairman
Sydney

Date: 23 August 2018

Microequities Asset Management Group Limited

(Formerly known as Microequities Ltd)

ABN 17 110 777 056

Annual Report - 30 June 2018

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Dear Fellow Shareholders,

This year saw several operating, financial and strategic achievements for your Group. Across the set of management's key performance indicators, it is pleasing to report that:

- Fee earning funds under management increased by +18.4% year-on-year;
- Number of clients increased by +9.1% year-on-year; and
- Ongoing operating expenses as a percentage of recurring revenue reduced from 51.6% to 45.1%.

Financially, operating profit from recurring revenue increased by +61.3% whilst recurring revenue increased +42.0% year-on-year.

Summary Profit or Loss Statement (\$000's unless stated)	2018	2017	% change
Funds Under Management (\$m)	432.4	365.3	18.4%
<u>Operating profit from investment management</u>			
Recurring revenue ⁽¹⁾	7,014.4	4,938.0	42.0%
Ongoing operating expenses ⁽²⁾	-3,160.1	-2,547.9	24.0%
Operating profit from recurring revenue	3,854.3	2,390.1	61.3%
<u>Reconciliation to reported net profit after tax</u>			
Performance fee income	3,503.2	10,205.5	-65.7%
Other revenue	289.4	297.6	-2.8%
Other income and gains/(loss) on investments	413.0	77.8	430.8%
Initial public offering costs	-447.7	-	-
Employee share based payment expense	-327.6	-	-
Tax expense	-1,804.0	-3,475.7	-48.1%
Profit attributable to non-controlling interests	-266.1	-202.8	31.2%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	5,214.5	9,292.5	-43.9%
Client Numbers (units)	839	769	9.1%
Ongoing operating expenses to recurring revenue	45.1%	51.6%	-12.7%

⁽¹⁾ Represents management fees

⁽²⁾ Excludes costs related to the initial public offering and employee share based payment expense

From an investment perspective, all the open-ended funds managed by the Group recorded positive absolute returns for the year. The investment management team has continued to exercise due care in applying a strict value doctrine that we believe will not only deliver superior long term returns but also protect capital and help mitigate fundamental risk. This year also saw the successful launch of the Microequities Pure Microcap Value Fund. This fund, which traces back to the microcap heritage of the Group, has resonated well with investors and the investment management team has built a high-quality portfolio of profitable, growing and undervalued industrial businesses that we expect will deliver strong long-term returns. The financial year also saw our flagship investment Fund, the Deep Value Fund reopen to new investors as the investment management team identified an array of attractive investment opportunities at deep value price points. During the year, Nanocap 6 (one of our close-ended funds) realised the investment held by it and generated a compound annual return since inception of 52% as well as a performance fee for the Group of over \$800,000.

The Group's balance sheet, like so many of our investee companies, reflects our financial principles. We believe that a company should have a strong financial backbone that provides it enough capital to withstand external shocks. Net tangible assets of the Group rose by \$2.9million to \$8.8million.

This year also marked the significant milestone of the Company listing on the Australian Securities Exchange. The initial public offering was successfully completed in an expedient manner, with relatively minimal costs to the entity. Importantly, management remains highly focused on its principal activity; that is to allocate and invest capital within optimal long-term risk/reward metrics. The successful execution of the former, will provide a sustainable platform to building shareholder value and generating wealth for shareholders. The unrelenting focus on our core purpose has meant that the transition from an unlisted public company to a publicly listed company has been seamless. We know our pathway to growing shareholder wealth is intimately tied to our investment outcomes. Our existence as a publicly listed entity will not drive our investment outcomes, rather it will be our investment outcomes that ultimately drive our shareholders' returns.

Dividends

The board of Microequities Asset Management Group Limited has declared a 1 cent per share fully franked dividend. This is consistent with the dividend policy of the Group, which is to pay between 70% and 100% of the operating profit from investment management.

Operations

Operationally, we continue to invest resources in servicing our clients with service levels that surpass their expectations. Our dedication to provide a superior customer experience that they are unlikely to receive from other financial service providers, is a tenet of our business. It also provides us with a sustainable competitive advantage that larger companies cannot necessarily match. Many organisations profess to be customer centric, few exert a culture and service delivery that upholds that claim. Our team are working on various projects that will help further improve the entire customer experience and make investing in our Funds easier.

Looking ahead

Looking beyond this year, the Group will seek to expand its distribution reach beyond the direct wholesale investor market. That market currently represents the core distribution pathway for our products but makes up only a small component of the overall market for investment funds. We will look to expand our distribution of some of our investment products to make them accessible to the broader market. We are conscious that penetrating the broader market is a long journey, but it would be remiss of us not to bring our investment products to a wider and bigger addressable market. This represents a strategic growth pathway that we believe will provide an additional source of long term growth to the Group.

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



Carlos Gil
Chief Executive Officer, Chief investment Officer

23 August 2018

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 2018.

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
 Craig Shapiro
 Carlos Gil
 Samuel Gutman

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	
	2018	2017
	\$	\$
Interim dividend for the year ended 30 June 2018 of 2.009 cents per ordinary share (2017: Interim dividend for the year ended 30 June 2017 of 4.662 cents per ordinary share)*	2,645,000	6,138,484
Final dividend for the year ended 30 June 2017 of 1.745 cents per ordinary share*	-	2,300,000
Final dividend declared after the year end and not yet paid	1,329,381	-
	<u>3,974,381</u>	<u>8,438,484</u>

* Dividend per share referred above are calculated after share-split.

On 23 August 2018, the directors declared a fully franked final dividend for the year ended 30 June 2018 of 1 cent per ordinary share, to be paid on 13 September 2018 to eligible shareholders on the register as at 29 August 2018. This equates to a total estimated distribution of \$1,329,381, based on the number of ordinary shares on issue as at 30 June 2018. 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 \$5,214,479 (30 June 2017: \$9,292,556).

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

Significant changes in the state of affairs

Microequities Asset Management Group Limited was listed on Australian Securities Limited ('ASX') and commenced trading from 30 April 2018 with the ASX code: MAM.

There were no other 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 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

Name: Leslie Szekely
Title: Non-Executive Director and Chairman
Qualifications: Bachelor of Arts, Bachelor of Law from the University of New South Wales and Master of Law from Sydney University
Experience and expertise: Leslie worked as a solicitor before teaching commercial and revenue law at the University of New South Wales, and Sydney University. He was a tax consulting partner with Horwath Chartered Accountants for 20 years, until Horwath merged with Deloitte, when he became Director of Taxation in Deloitte Growth Solutions. Leslie has authored numerous books and articles on taxation law. Since leaving Deloitte in 2008 Leslie has dedicated his time to angel and venture capital ('VC') investing. He is Chairman of the Investment Committee for the Microequities VC Fund and sits on the Boards of several unlisted companies. His focus is the development of business strategy in sectors undergoing digital disruption.
Other current directorships: No other listed entity directorships
Former directorships (last 3 years): No other listed entity directorships
Special responsibilities: Chairperson of the Nomination and Remuneration Committee and Member of the Audit and Risk Management Committee
Interests in shares: 18,317,357 ordinary shares

Name: Craig Shapiro
Title: Independent Non-Executive Director
Qualifications: Bachelor of Science from the University of Sydney, a Diploma from the Securities Institute of Australia and is a member of the Australian Institute of Company Directors
Experience and expertise: Craig is a financial services expert with more than 30 years of experience. He spent 22 years at Macquarie Group where he was the Global Group Treasurer and Executive Director. Prior to joining Macquarie, Craig worked for the State Bank of NSW and Mitsui Trust Finance Australia. In 2015 he co-founded and is currently the Co-Chief Executive Officer of Blue River Group Pty Limited, an impact investment services firm based in Sydney. Craig is currently a director and honorary treasurer of The Sydney Institute and a director of The Jewish Care Foundation.
Other current directorships: No other listed entity directorships
Former directorships (last 3 years): No other listed entity directorships
Special responsibilities: Chairperson of the Audit and Risk Management Committee and Member of the Nomination and Remuneration Committee
Interests in shares: 2,662,376 ordinary shares

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 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: No other listed entity directorships
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: 1,905,516 performance rights

Name: Samuel Gutman
 Title: Executive Director and Company Secretary
 Qualifications: Bachelor of Arts from the University of Newcastle (Australia) and has 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: 22,955,539 ordinary shares inclusive of 580,232 loan funded 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') held during the year ended 30 June 2018, 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	12	12	-	-	1	1
Craig Shapiro	11	12	-	-	1	1
Carlos Gil	12	12	-	-	-	-
Samuel Gutman	12	12	-	-	1	1

Held: represents the number of meetings held during the time the director held office.

* The sub-committees were only formed towards the end of the year.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration ('KMP') 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 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 Board of Directors ('the Board') 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 Board 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 Board 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 Board have 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 Board. The Board 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 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.

On Listing, the annual base non-executive director fees payable by the Group are \$45,000 to the Chairman and \$40,000 to other non-executive directors, including for any committee roles. These amounts comprise fees paid in cash and are inclusive of statutory superannuation contributions. In subsequent years, these figures may vary.

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 Board 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.

Short-term incentive ('STI') payments that were discretionary in nature were made to a KMP during the financial 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.

On 9 November 2015, the Group issued 2,713,022 options (after adjusting for the share split) to Paul Kaplan, the Chief Operating Officer, for \$nil. Each option is exercisable for one share in the Company. The options vest on the earlier of the sale of 100% of the Company or its business or 36 months from the date of issue (being 9 November 2018). The exercise price for the options is \$0.267 per share. The vesting of the options is conditional on the option holder being employed by the Group on the vesting date. If for any reason whatsoever, the option holder ceases to be employed prior to the vesting date, then all unvested options will immediately lapse and option holder will not be entitled to any compensation in respect of the lapsed options.

On 28 February 2018, the Group granted 1,905,516 performance rights to Carlos Gil, the Chief Executive Officer and Chief Investment Officer, to pay a bonus in February 2022 if certain performance hurdles relating to the Funds and service conditions of the KMP are met. The Group can elect to settle the bonus in cash or by way of an issue of shares. The fair value of the performance rights are accounted over the vesting period as an equity settled share-based payment. 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.

Loan Funded Share Plan ('LFSP')

The Group has an equity scheme pursuant to which certain KMP's may access a LFSP. On 26 November 2015, in accordance with the terms of the plan Samuel Gutman was issued 580,232 shares. 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. Interest is charged on the outstanding amount of the loan at the Benchmark Interest Rate as defined in section 109N2 of the Income Tax Assessment Act 1936. The loan together with interest must be repaid in full on the date that is two years after Listing.

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.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2018, the Group did not engage any remuneration consultants.

Details of remuneration

Prior to the ASX listing on 30 April 2018, Microequities Asset Management Group Limited was not required to prepare a Remuneration report in accordance with the Corporations Act 2001. As such, Remuneration report information is presented only for 2018.

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the directors of Microequities Asset Management Group Limited and the following person:

- Paul Kaplan - Chief Operating Officer

2018	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 \$	
<i>Non-Executive Directors:</i>							
Leslie Szekely - Chairman	6,849	-	-	651	-	-	7,500
Craig Shapiro	19,818	-	-	1,883	-	-	21,701
<i>Executive Directors:</i>							
Carlos Gil	464,404	-	-	20,049	9,046	73,796	567,295
Samuel Gutman	141,583	-	-	13,014	2,602	15,103	172,302
<i>Other Key Management Personnel:</i>							
Paul Kaplan	281,007	90,000	-	20,049	-	169,012	560,068
	913,661	90,000	-	55,646	11,648	257,911	1,328,866

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 2018	At risk - STI 2018	At risk - LTI 2018
<i>Executive Directors:</i>			
Carlos Gil	87%	-	13%
Samuel Gutman	91%	-	9%
<i>Other Key Management Personnel:</i>			
Paul Kaplan	54%	16%	30%

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 key management personnel as part of compensation during the year ended 30 June 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Particulars	Expiry date	Exercise price	Fair value per option at grant date
09/11/2015	Paul Kaplan: 2,713,022 options which vest on 36 months of continuous service with the Group. The vesting of the options is conditional on Paul being employed by the Group on the vesting date. There are no performance conditions in relation to the options.	9/10/2020	\$0.267	\$0.070
26/11/2015	Samuel Gutman: 580,232 loan funded shares. The acquisition of shares under LFSP is fully funded by the Company through the granting of a limited recourse loan. The loan together with interest must be repaid in full on the date that is two years after Listing. The LFSP shares are restricted until the loan is repaid.	26/11/2022	\$0.267	\$0.070

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2018.

Performance rights

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

Grant date	Particulars	Expiry date	Fair value per right at grant date
28/02/2018	Carlos Gil 1,905,516 rights: The Group has agreed to pay Carlos Gil a bonus in February 2022 if certain performance hurdles relating to the Funds are met and he is still employed by the Group. The Group can elect to settle the bonus in cash or by way of an issue of shares. The amount of the bonus will be calculated in accordance with a formula based on the market price of the shares at the time the bonus is payable multiplied by the vesting percentage (which will range from 0% to 100% depending on the number of Funds that meet the performance hurdle). Each Fund has its own performance hurdles which are all 5% above the compound annual return of the relevant benchmark. In calculating the share-based payment expense for performance rights, the Board has reviewed the historical performance of the funds which have at least 2 years track record. Based on the review, the Board has applied an 80% probability of meeting the performance conditions.	28/02/2022	\$0.581

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights vested during the year 2018
Carlos Gil	1,905,516	-

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	22,896,696	-	-	(4,579,339)	18,317,357
Craig Shapiro	2,662,376	-	-	-	2,662,376
Carlos Gil	67,043,200	-	-	(13,408,640)	53,634,560
Samuel Gutman*	28,694,424	-	-	(5,738,885)	22,955,539
	121,296,696	-	-	(23,726,864)	97,569,832

* Samuel Gutman's shareholding above includes 580,232 shares issued under the LFSP.

Option holding

The number of options 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	Exercised	Expired/forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Paul Kaplan	2,713,022	-	-	-	2,713,022
	<u>2,713,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,713,022</u>

Performance rights holding

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

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

Loans to key management personnel and their related parties

Loans attached to the LFSP total \$114,736 and are reported as a reduction in issued capital, due to the operability of the LFSP being accounted for as share-based payments, similar in nature to options.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Microequities Asset Management Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
9/11/2015	09/10/2020	\$0.267	2,713,022
26/11/2015	26/11/2022	\$0.267	1,367,432
			<u>4,080,454</u>

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

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 2018 and up to the date of this report.

Shares under performance rights and loan funded share plan

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

Grant date	Expiry date	Exercise price	Number under rights
28/02/2018	28/02/2022	\$0.000	1,905,516
28/02/2018	28/02/2022	\$0.000	1,270,344
			<u>3,175,860</u>

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

Shares issued on the exercise of performance rights

There were no ordinary shares of Microequities Asset Management Group Limited issued on the exercise of performance rights during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of Prosperity Advisers Audit Services Pty Ltd

There are no officers of the Company who are former partners of Prosperity Advisers Audit Services 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.

Auditor

Prosperity Advisers Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Leslie Szekely
Chairman

23 August 2018



Carlos Gil
Chief Executive Officer

For personal use only

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 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

PROSPERITY AUDIT SERVICES

LUKE MALONE

LUKE MALONE
Partner

23 August 2018
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Prosperity Advisers Audit Services Pty Ltd
ABN 90 147 151 228

Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

Microequities Asset Management Group Limited
(Formerly known as Microequities Ltd)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Revenue	5	10,806,986	15,441,161
Other income and gain/(loss) on investments	6	413,022	77,801
Expenses			
Employee benefits expenses		(2,518,191)	(1,769,155)
Legal and professional expenses		(120,624)	(44,238)
Advertising expenses		(257,347)	(189,210)
Occupancy expenses		(288,924)	(192,766)
Listing expenses		(447,735)	-
Other expenses		(302,569)	(352,533)
Profit before income tax expense		7,284,618	12,971,060
Income tax expense	8	(1,804,019)	(3,475,741)
Profit after income tax expense for the year		5,480,599	9,495,319
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>5,480,599</u>	<u>9,495,319</u>
Profit for the year is attributable to:			
Non-controlling interest		266,120	202,763
Owners of Microequities Asset Management Group Limited		<u>5,214,479</u>	<u>9,292,556</u>
		<u>5,480,599</u>	<u>9,495,319</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		266,120	202,763
Owners of Microequities Asset Management Group Limited		<u>5,214,479</u>	<u>9,292,556</u>
		<u>5,480,599</u>	<u>9,495,319</u>
		Cents	Cents
Basic earnings per share	29	4.00	7.13
Diluted earnings per share	29	3.90	7.13

Refer to note 2 for reclassification of comparatives

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
(Formerly known as Microequities Ltd)
Consolidated statement of financial position
As at 30 June 2018



	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	9	6,562,576	3,715,138
Trade and other receivables	10	784,866	3,852,787
Financial assets at fair value through profit or loss	11	-	950,983
Other	12	82,182	53,601
Total current assets		7,429,624	8,572,509
Non-current assets			
Financial assets at fair value through profit or loss	13	2,876,277	1,842,883
Deferred tax	8	92,730	32,824
Total non-current assets		2,969,007	1,875,707
Total assets		10,398,631	10,448,216
Liabilities			
Current liabilities			
Trade and other payables	14	634,886	670,449
Income tax	8	766,409	1,434,088
Employee benefits	15	216,586	210,381
Provisions	16	-	2,300,000
Total current liabilities		1,617,881	4,614,918
Total liabilities		1,617,881	4,614,918
Net assets		8,780,750	5,833,298
Equity			
Issued capital	17	2,706,045	2,655,669
Reserves	18	327,597	-
Retained earnings		5,747,098	3,177,619
Equity attributable to the owners of Microequities Asset Management Group Limited		8,780,740	5,833,288
Non-controlling interest		10	10
Total equity		8,780,750	5,833,298

Refer to note 2 for reclassification of comparatives

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

Microequities Asset Management Group Limited
(Formerly known as Microequities Ltd)
Consolidated statement of changes in equity
For the year ended 30 June 2018



Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2016	2,321,387	-	2,323,547	-	4,644,934
Profit after income tax expense for the year	-	-	9,292,556	202,763	9,495,319
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	9,292,556	202,763	9,495,319
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	-	-	-	10	10
Repayments under loan funded share plan (note 17)	334,282	-	-	-	334,282
Distribution of profits to non-controlling interest	-	-	-	(202,763)	(202,763)
Dividends paid (note 19)	-	-	(8,438,484)	-	(8,438,484)
Balance at 30 June 2017	2,655,669	-	3,177,619	10	5,833,298

Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2017	2,655,669	-	3,177,619	10	5,833,298
Profit after income tax expense for the year	-	-	5,214,479	266,120	5,480,599
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	5,214,479	266,120	5,480,599
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	1	-	-	-	1
Share-based payments (note 30)	-	327,597	-	-	327,597
Repayments under loan funded share plan (note 17)	50,375	-	-	-	50,375
Distribution of profits to non-controlling interest	-	-	-	(266,120)	(266,120)
Dividends paid (note 19)	-	-	(2,645,000)	-	(2,645,000)
Balance at 30 June 2018	2,706,045	327,597	5,747,098	10	8,780,750

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

**Microequities Asset Management Group Limited
(Formerly known as Microequities Ltd)
Consolidated statement of cash flows
For the year ended 30 June 2018**



	Note	Consolidated 2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,962,395	14,035,546
Payments to suppliers and employees (inclusive of GST)		<u>(4,746,431)</u>	<u>(3,664,363)</u>
		10,215,964	10,371,183
Dividends and distributions received		41,966	77,910
Interest received		151,981	130,321
Income taxes paid		<u>(2,531,604)</u>	<u>(2,684,623)</u>
Net cash from operating activities	28	<u>7,878,307</u>	<u>7,894,791</u>
Cash flows from investing activities			
Payments for investments		(1,000,000)	(172,493)
Proceeds from disposal of investments		<u>1,129,875</u>	<u>140,697</u>
Net cash from/(used in) investing activities		<u>129,875</u>	<u>(31,796)</u>
Cash flows from financing activities			
Proceeds from issue of shares	17	1	-
Contributed capital by Equity Venture Partners Pty Ltd		-	10
Repayments under loan funded share plan	17	50,375	334,282
Dividends paid		(4,945,000)	(6,855,350)
Distribution of profits to non-controlling entity		<u>(266,120)</u>	<u>(202,763)</u>
Net cash used in financing activities		<u>(5,160,744)</u>	<u>(6,723,821)</u>
Net increase in cash and cash equivalents		2,847,438	1,139,174
Cash and cash equivalents at the beginning of the financial year		<u>3,715,138</u>	<u>2,575,964</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,562,576</u></u>	<u><u>3,715,138</u></u>

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

Note 1. General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2018. 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 31.

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 2018 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

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Management fees

Management fees are recognised on an accruals basis based on the portfolio managed, net of any fund manager rebates.

Performance fees

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

Dividends and distributions

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

Interest

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

Other revenue

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

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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 provision for impairment. Trade receivables are generally due for settlement within 7 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are 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 (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Note 2. Significant accounting policies (continued)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Trade and other payables

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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 share-based compensation benefits are provided to employees.

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

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

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

Note 2. Significant accounting policies (continued)

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, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

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

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

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

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

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.

Note 2. Significant accounting policies (continued)

Diluted earnings per share

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

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

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

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

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

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

Comparatives

Comparatives have been reclassified in line with the current year presentation. Certain profit or loss items have been reclassified where necessary with no net effect on profit or loss. Non-recourse loans that were previously classified as receivables have been reclassified as treasury shares in the statement of financial position. Deferred tax liabilities have been offset against deferred tax assets in the statement of financial position.

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 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). 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 OCI (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. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group expects to adopt this standard from 1 July 2018 and the adoption of this standard is not expected to have a material impact for the Group.

Note 2. Significant accounting policies (continued)

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, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018, using the transitional modified retrospective method as detailed in paragraph C3(b) of the standard. The impact assessment of this standard is substantially complete and based on the work performed to the date of this report, no material impact is expected on the financial statements of the Group from adopting 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). In the earlier periods of the lease, the expense associated with the lease under AASB 16 will be higher when compared to lease expense under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group expects to adopt this standard from 1 July 2019 and the impact of its adoption will be that operating leases, such as those detailed in note 24, will be brought onto the statement of financial position at the present value with a corresponding liability. The actual amount will depend on the operating leases held on the date of adoption and any transitional elections made.

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the IASB and is applicable for annual reporting periods on or after 1 January 2020. The Australian equivalent is yet to be published. The application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the IASB revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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.

Share-based payment transactions

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

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

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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 information reported to the CODM is on a monthly basis.

Note 5. Revenue

	Consolidated	
	2018	2017
	\$	\$
Management fees	7,014,414	4,938,006
Performance fees	3,503,215	10,205,518
Other revenue	289,357	297,637
Revenue	<u>10,806,986</u>	<u>15,441,161</u>

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

	Consolidated 2018 \$	Consolidated 2017 \$
Dividends and distributions	55,423	474,202
Interest	158,770	135,212
Realised gain on investments	55,848	-
Unrealised gain/(loss) on investments	142,981	(531,613)
	<u>413,022</u>	<u>77,801</u>
Other income and gain/(loss) on investments	<u>413,022</u>	<u>77,801</u>

Note 7. Expenses

	Consolidated 2018 \$	Consolidated 2017 \$
Profit before income tax includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	288,924	192,766
<i>Superannuation expense</i>		
Defined contribution superannuation expense	144,384	112,231

Note 8. Income tax

	Consolidated 2018 \$	Consolidated 2017 \$
<i>Income tax expense</i>		
Current tax	1,863,925	3,659,432
Deferred tax - origination and reversal of temporary differences	(59,906)	(183,691)
Aggregate income tax expense	<u>1,804,019</u>	<u>3,475,741</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(59,906)	(183,691)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	7,284,618	12,971,060
Tax at the statutory tax rate of 27.5%	2,003,270	3,567,042
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	90,089	-
Contributions to employee share scheme	(264,000)	-
Taxable distributions	68,838	-
Tax impact of franked dividends received	(21,132)	(37,145)
Non-taxable income attributable to non-controlling interest	(73,183)	(55,759)
Prior year over/under accrual	-	2,298
Sundry items	137	(695)
Income tax expense	<u>1,804,019</u>	<u>3,475,741</u>

Note 8. Income tax (continued)

	Consolidated	Consolidated
	2018	2017
	\$	\$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	59,740	58,267
Accrued expenses	9,034	6,813
Listing expenses	95,532	-
Unrealised gain on investments	(71,576)	(32,256)
	<u>92,730</u>	<u>32,824</u>
Deferred tax asset		
Movements:		
Opening balance	32,824	(150,867)
Credited to profit or loss	59,906	183,691
	<u>92,730</u>	<u>32,824</u>
	Consolidated	Consolidated
	2018	2017
	\$	\$
<i>Provision for income tax</i>		
Provision for income tax	<u>766,409</u>	<u>1,434,088</u>

Note 9. Current assets - cash and cash equivalents

	Consolidated	Consolidated
	2018	2017
	\$	\$
Cash at bank and on hand	4,472,042	3,424,604
Cash on deposits	2,090,534	290,534
	<u>6,562,576</u>	<u>3,715,138</u>

Note 10. Current assets - trade and other receivables

	Consolidated	Consolidated
	2018	2017
	\$	\$
Trade receivables	743,912	3,465,335
Trust distribution receivable	25,651	382,559
Other receivables	3,621	-
Interest receivable	11,682	4,893
	<u>784,866</u>	<u>3,852,787</u>

Note 11. Current assets - financial assets at fair value through profit or loss

	Consolidated 2018 \$	Consolidated 2017 \$
Shares in listed companies - designated at fair value through profit or loss	-	950,983

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

Note 12. Current assets - other

	Consolidated 2018 \$	Consolidated 2017 \$
Prepayments	33,091	53,601
Other assets	49,091	-
	<u>82,182</u>	<u>53,601</u>

Note 13. Non-current assets - financial assets at fair value through profit or loss

	Consolidated 2018 \$	Consolidated 2017 \$
Investment in unlisted Australian unit trusts - designated at fair value through profit or loss	2,876,277	1,842,883

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

Note 14. Current liabilities - trade and other payables

	Consolidated 2018 \$	Consolidated 2017 \$
Trade payables	92,575	85,078
Accruals and other payables	542,311	585,371
	<u>634,886</u>	<u>670,449</u>

Refer to note 20 for further information on financial instruments.

Note 15. Current liabilities - employee benefits

	Consolidated 2018 \$	Consolidated 2017 \$
Employee benefits	216,586	210,381

Note 16. Current liabilities - provisions

	Consolidated 2018 \$	Consolidated 2017 \$
Dividends	-	2,300,000

Dividends

The provision represents dividends declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2018	Dividends \$
Carrying amount at the start of the year	2,300,000
Payments	(2,300,000)
Carrying amount at the end of the year	-

Note 17. Equity - issued capital

	2018 Shares	Consolidated 2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	132,938,073	401,426	3,930,646	2,970,645
Less: Treasury shares	(2,637,776)	(4,169)	(1,224,601)	(314,976)
	<u>130,300,297</u>	<u>397,257</u>	<u>2,706,045</u>	<u>2,655,669</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2016	401,426	2,970,645
Balance	30 June 2017	401,426	2,970,645
Share-split	16 February 2018	131,266,302	-
Issue of shares under employee share trust plan	28 February 2018	1,270,344	960,000
Issue of shares	24 April 2018	1	1
Balance	30 June 2018	<u>132,938,073</u>	<u>3,930,646</u>

Note 17. Equity - issued capital (continued)

Movements in Treasury shares

Details	Date	Shares	\$
Balance	1 July 2016	(4,169)	(649,258)
Repayment of loan		-	334,282
Balance	30 June 2017	(4,169)	(314,976)
Share-split	16 February 2018	(1,363,263)	-
Issue of shares under employee share trust plan	28 February 2018	(1,270,344)	(960,000)
Repayment of loan		-	50,375
Balance	30 June 2018	<u>(2,637,776)</u>	<u>(1,224,601)</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. 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 1,367,432 shares issued under a Loan Funded Share Plan and 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 30 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 30 for further details.

Share buy-back

There is no current on-market share buy-back.

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. Equity - issued capital (continued)

The Group 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 2018 to maintain the Group's existing business activities and facilitate growth.

Note 18. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Share-based payments reserve	<u>327,597</u>	<u>-</u>

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 2016	-
Balance at 30 June 2017	-
Share-based payments	<u>327,597</u>
Balance at 30 June 2018	<u>327,597</u>

Note 19. Equity - dividends

Dividends

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

	Consolidated	
	2018	2017
	\$	\$
Interim dividend for the year ended 30 June 2018 of 2.009 cents per ordinary share (2017: Interim dividend for the year ended 30 June 2017 of 4.662 cents per ordinary share)*	2,645,000	6,138,484
Final dividend for the year ended 30 June 2017 of 1.745 cents per ordinary share*	-	2,300,000
Final dividend declared after the year end and not yet paid	<u>1,329,381</u>	<u>-</u>
	<u>3,974,381</u>	<u>8,438,484</u>

* Dividend per share referred above are calculated after share-split.

On 23 August 2018, the directors declared a fully franked final dividend for the year ended 30 June 2018 of 1 cent per ordinary share, to be paid on 13 September 2018 to eligible shareholders on the register as at 29 August 2018. This equates to a total estimated distribution of \$1,329,381, based on the number of ordinary shares on issue as at 30 June 2018. 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. Equity - dividends (continued)

Franking credits

	Consolidated	
	2018	2017
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 27.5%	1,503,314	818,252

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 - 2018	% 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%	287,628	208,530	(10%)	(287,628)	(208,530)

Note 20. Financial instruments (continued)

Consolidated - 2017	% change	Average price increase		Average price decrease		
		Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Shares in listed companies	10%	95,098	68,946	(10%)	(95,098)	(68,946)
Investment in unlisted Australian unit trusts	10%	184,288	133,609	(10%)	(184,288)	(133,609)
		<u>279,386</u>	<u>202,555</u>		<u>(279,386)</u>	<u>(202,555)</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 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 2018 owed the Group 94% (2017: 99%) of trade receivables and accrued income. 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.

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 - 2018	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	92,575	-	-	-	92,575
Total non-derivatives		<u>92,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,575</u>

Note 20. Financial instruments (continued)

Consolidated - 2017	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	85,078	-	-	-	85,078
Dividend payable	-	2,300,000	-	-	-	2,300,000
Total non-derivatives		2,385,078	-	-	-	2,385,078

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

Consolidated - 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment in unlisted Australian unit trusts	-	2,876,277	-	2,876,277
Total assets	-	2,876,277	-	2,876,277

Consolidated - 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Shares in listed entities	950,983	-	-	950,983
Investment in unlisted Australian unit trusts	-	1,842,883	-	1,842,883
Total assets	950,983	1,842,883	-	2,793,866

There were no transfers between levels during the financial year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Investments in unlisted Australian unit trusts

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

Note 22. Remuneration of auditors

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

	Consolidated 2018 \$	2017 \$
<i>Audit services - Prosperity Advisers Audit Services Pty Ltd</i>		
Audit or review of the financial statements	32,500	11,000
<i>Other services - network firm - Prosperity Advisers (Sydney) Pty Ltd</i>		
Tax compilation and related services	6,400	6,300
Other compliance services	1,200	600
	<u>7,600</u>	<u>6,900</u>

Note 23. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 24. Commitments

	Consolidated 2018 \$	2017 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	282,783	327,394
One to five years	408,754	691,537
	<u>691,537</u>	<u>1,018,931</u>

Operating lease commitments includes contracted amounts for office premises under non-cancellable operating leases expiring within 1 to 3 years.

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 25. 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 2018 \$	2017 \$
Short-term employee benefits	1,003,661	826,509
Post-employment benefits	55,646	47,083
Long-term benefits	11,648	90,668
Share-based payments	257,911	-
	<u>1,328,866</u>	<u>964,260</u>

Note 26. Related party transactions

Parent entity

Microequities Asset Management Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

Management fees and performance fees disclosed in note 5 are from Funds for which the Group is a Trustee.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Note 27. 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	
		2018 %	2017 %
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 28. Cash flow information

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

	Consolidated	
	2018	2017
	\$	\$
Profit after income tax expense for the year	5,480,599	9,495,319
Adjustments for:		
Net fair value loss/(gain) on other financial assets	(182,106)	531,613
Share-based payments	327,597	-
Dividend income- non-cash	(30,180)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	3,067,921	(3,474,407)
Increase in deferred tax assets	(59,906)	(183,691)
Decrease in prepayments	20,510	-
Increase in other operating assets	(49,091)	-
Increase/(decrease) in trade and other payables	(35,563)	415,709
Increase/(decrease) in provision for income tax	(667,679)	974,809
Increase in employee benefits	6,205	135,439
	<u>7,878,307</u>	<u>7,894,791</u>

Non-cash investing and financing activities

	Consolidated	
	2018	2017
	\$	\$
Additions to investment by reinvestment of dividends	<u>30,180</u>	<u>-</u>

Note 29. Earnings per share

	Consolidated	
	2018	2017
	\$	\$
Profit after income tax	5,480,599	9,495,319
Non-controlling interest	(266,120)	(202,763)
	<u>5,214,479</u>	<u>9,292,556</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,300,296	130,300,296
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,513,759	-
Performance rights over ordinary shares	794,037	-
	<u>133,608,092</u>	<u>130,300,296</u>

Note 29. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	4.00	7.13
Diluted earnings per share	3.90	7.13

The weighted average number of ordinary shares for year ended 30 June 2018 does not include 2,637,776 treasury shares (2017:1,367,432).

The weighted average number of ordinary shares has been adjusted to give effect to share-split which occurred during the financial year.

Note 30. Share-based payments

The share-based payment expense for the year was \$327,597.

Options

On 9 November 2015, the Group issued 2,713,022 options for \$nil. Each option is exercisable for one share in the Company. The options vest on the earlier of the sale of 100% of the Company or its business or 36 months from the date of issue (being 9 November 2018). The exercise price for the options is \$0.267 per share, being the market value of a share at the time of issue of the options. The vesting of the options is conditional on the option holder being employed by the Group on the vesting date. If for any reason whatsoever, the option holder ceases to be employed prior to the vesting date, then all unvested options will immediately lapse and option holder will not be entitled to any compensation in respect of the lapsed options. Any unexercised options will lapse 59 months from their issue date.

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:

2018							
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
09/11/2015	09/10/2020	\$0.267	2,713,022	-	-	-	2,713,022
26/11/2015	26/11/2022	\$0.267	1,367,432	-	-	-	1,367,432
			<u>4,080,454</u>	-	-	-	<u>4,080,454</u>
Weighted average exercise price			\$0.267	\$0.000	\$0.000	\$0.000	\$0.267

* Exercise price and number of options have been adjusted for share-split.

** The above includes 1,367,432 loan funded shares which is accounted as a share-based payment.

The weighted average share price during the financial year was \$0.749.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.33 years (2017: 1.33 years).

Outstanding options vested and exercisable as at 30 June 2018 Nil (2017: Nil).

Note 30. Share-based payments (continued)

Performance rights

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

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

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

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

2018

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

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.67 years.

For the performance rights and share units under ESTP 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	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/02/2018	28/02/2022	\$0.800	\$0.000	56.80%	8.00%	3.25%	\$0.581
28/02/2018	28/02/2022	\$0.800	\$0.000	56.80%	8.00%	3.25%	\$0.581

In calculating the share-based payment expense for performance rights, the Board has reviewed the historical performance of the funds which have at least 2 years track record. Based on the review, the Board has applied an 80% probability of meeting the performance conditions.

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$	\$
Profit after income tax	153,067	8,435,398
Total comprehensive income	153,067	8,435,398

Note 31. Parent entity information (continued)

Statement of financial position

	Parent	
	2018	2017
	\$	\$
Total current assets	4,509,547	5,504,504
Total assets	7,314,358	7,347,497
Total current liabilities	3,854,091	2,405,673
Total liabilities	3,854,091	2,405,673
Equity		
Issued capital	3,666,045	2,655,669
Retained earnings/(accumulated losses)	(205,778)	2,286,155
Total equity	<u>3,460,267</u>	<u>4,941,824</u>

Issued capital

Issued capital disclosed above includes \$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 2018 and 30 June 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

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 32. 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 2018 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 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Leslie Szekely
Chairman

23 August 2018



Carlos Gil
Chief Executive Officer

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNERS OF MICROEQUITIES ASSET MANAGEMENT
GROUP LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018**

Report on the Financial Report

Opinion

We have audited the financial report of Microequities Asset Management Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Microequities Asset Management Group Limited and Controlled Entities 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 2018
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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 auditor independence requirements of 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* (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 Microequities Limited and Controlled Entities, a copy of which is included on page 15 of the financial 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 for the year ended 30 June 2018. 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.

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Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNERS OF MICROEQUITIES ASSET MANAGEMENT
GROUP LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018**

Key audit matter	How our audit addressed the key audit matter
<p>Existence and valuation of financial assets Refer note 13: \$2,876,277</p> <p>Financial assets primarily consist of managed investment funds which invest in listed Australian and international equities. They are valued by multiplying the quantity of units held in the investment fund by the market price.</p> <p>Whilst there is no significant judgement in determining the valuation of the financial assets, these investments represent a significant portion of total assets in the statement of financial position. The fluctuations in the carrying value of financial assets will also impact the gains/losses recognised in the statement of profit or loss. Given the overall impact financial assets have on the financial statements, we have determined the existence and valuation of financial assets to be a key audit matter.</p>	<ol style="list-style-type: none"> 1. Performed a reconciliation of the financial assets balance from the opening balance, addition/subtractions of purchases, sales and other transactions and agreeing the reconciliation to the closing balance. 2. Agreed all the financial asset holdings at 30 June 2018 to investment statements from the underlying funds. 3. Agreed all the managed investment fund unit prices to independent market pricing sources.
<p>Share based payment transactions Refer to note 2, 17, 18, 30: \$327,597</p> <p>The Group provides benefits to employees and others in the form of share-based payment transactions, whereby officers and employees render services and receive rights over shares. The Group provides these benefits via direct options, performance rights, loan funded share plans and an employee share trust plan.</p> <p>These share-based payment transactions are classified by the Group as equity settled share-based payment transactions.</p> <p>The accounting for share-based payments was a key audit matter because the expense recognised incorporates judgement and the use of a management's expert. The Group valued the options assisted by an external expert, considered the probability of employees meeting performance conditions and through use of the Black Scholes model, where inputs such as volatility, dividend yield and risk-free rate require judgement.</p>	<ol style="list-style-type: none"> 1. Compared the terms and conditions for the options issued with appropriate Board minutes and agreements with employees. 2. Compared the option grant date used in the expense calculations to supporting data. 3. Obtained the Group's expert's options valuation report and assessed the reasonableness of selected inputs used in valuation of the share options using available supporting data. 4. Assessed the competency of the Group's expert including their experience and qualifications. 5. Assessed attributes, on a sample basis, in respect of the valuation of the share options. Ascertained whether these attributes were appropriately included in the share option valuation model, and the expense is recognised over the appropriate vesting period. 6. Assessed the reasonableness of the fair value calculation through re-performing the calculation using the Black Scholes model. 7. Evaluated the adequacy of disclosures made by the Group in the financial report in view of the requirements of Australian Accounting Standards.

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNERS OF MICROEQUITIES ASSET MANAGEMENT
GROUP LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018**

Key audit matter	How our audit addressed the key audit matter
<p>Accuracy and completeness of revenue recognition Refer to note 5: \$10,806,986</p> <p>The Group has two primary revenue streams being management fees and performance fees associated with the management of investment funds. These fees are calculated in accordance with the information memorandum relevant to each fund.</p> <p>Whilst there is no significant judgement in calculating the management fees and performance fees, they represent a key measure of the Group's performance. The fluctuations in these fees have an impact on the Group's reported profit or loss.</p>	<ol style="list-style-type: none"> 1. Assessed the Group's controls around revenue recognition focussing on the timely and accurate calculation of revenue transactions. 2. Obtained the independent audit reports over each fund and compared the net asset valuations used by management to calculate the management fees and performance fees. 3. Recalculated the management fees and performance fees based upon independently sourced net asset valuations and the information memorandum relevant to each fund. 4. Considered transactions occurring within proximity of the reporting date and obtained evidence to support the appropriate timing of revenue recognition.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly 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 Group 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNERS OF MICROEQUITIES ASSET MANAGEMENT
GROUP LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2018**

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 12 of the directors' report for the year ended 30 June 2018. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s.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.

Auditor's Opinion on the Remuneration Report

In our opinion, the remuneration report of Microequities Asset Management Group Limited, for the year ended 30 June 2018, complies with s.300A of the Corporations Act 2001.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES



LUKE MALONE
Partner
23 August 2018
Sydney

Directors	Leslie Szekely - Non-Executive Chairman Craig Shapiro - Non-Executive Director Carlos Gil - Executive Director, Chief Executive Officer and Chief Investment Officer Samuel Gutman - Executive Director and Company Secretary
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	Prosperity Advisers Audit Services Pty Ltd Level 11, 309 Kent Street Sydney NSW 2000
Solicitors	Mills Oakley Level 12, 400 George Street Sydney NSW 2000
Stock exchange listing	Microequities Asset Management Group Limited shares are listed on the Australian Securities Exchange (ASX code: MAM)
Website	http://microequities.com.au/
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Microequities Asset Management Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Microequities Asset Management Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: http://microequities.com.au/governance-policies/</p>

The shareholder information set out below was applicable as at 22 August 2018.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options/ rights over ordinary shares
1 to 1,000	10	-
1,001 to 5,000	120	-
5,001 to 10,000	61	-
10,001 to 100,000	248	-
100,001 and over	101	1
	540	1
Holding less than a marketable parcel	-	-

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	40.35
GUTMAN INVESTMENT PARTNERS PTY LTD	22,955,539	17.27
SZEKELY SMSF PTY LTD	12,991,949	9.77
BELLITE PTY LTD	5,325,408	4.01
DESIGN MANGEMENT INVESTMENT PTY LTD	2,662,376	2.00
MICROEQUITIES VENTURE CAPITAL	1,270,344	0.96
BARANA CAPITAL PTY LTD	1,250,000	0.94
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	904,952	0.68
MR SHUO YANG	787,200	0.59
IME HOLDINGS PTY LTD	660,000	0.50
PORTLAND 41 PTY LIMITED	639,272	0.48
I M E INVESTMENTS PTY LTD	630,000	0.47
OZSUN INVESTMENTS PTY LTD	625,000	0.47
TREPLO PTY LIMITED	625,000	0.47
C & M LAVERS PTY LTD	546,040	0.41
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
LEWER CORPORATION PTY LTD	490,000	0.37
SELLMALL PTY LTD	479,536	0.36
	108,074,536	81.30

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	2,713,022	1
Rights over ordinary shares issued under loan funded share plan	1,367,432	2
Performance rights over ordinary shares	1,905,516	1
Awards under employee share trust plan	1,270,344	2

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
GIL Investment Company Pty Ltd (GIL Family Trust)	53,634,560	40.35
Gutman Investment Partners Pty Ltd (Gutman Family A/c)	22,955,539	17.27
Szekely SMSF Pty Ltd (Szekely Super Fund A/c)	12,991,949	9.77

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	1,367,432