

Microequities Asset Management Group Limited

ABN 17 110 777 056

Interim Report - 31 December 2023

Microequities Asset Management Group Limited
Contents
31 December 2023



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Dear Fellow Shareholders,

The key thematic impacting our business over the past 24 months has been an ongoing bear market in the Australian industrial small cap space. We have been able to offset that challenging external environment thanks to the investment management team's ability to generate alpha in several core strategies which have delivered strong absolute and relative returns in the context of negative benchmark returns. Delivering investment outperformance is the reason we exist and the fundamental premise of our existence. The asset class headwinds do however dent investor confidence and contain gross inflows across the industry and by consequence in our own business making Funds Under Management ('FUM') growth more elusive. Positively, we hold many assets that have experienced strong intrinsic value growth with subdued market prices, these assets represent potential future FUM growth should the gap between those two qualities close. From an opportunity set perspective it is undoubtedly one of best set of pricing conditions we have ever observed in our asset class outside of systemic shock events. We remain buoyant by the long-term prospects of many of our investee companies and their revaluation potential which should positively impact the financial performance of Microequities Asset Management.

| Summary Profit or Loss Statement (\$000's unless stated) | 31 Dec 2023 \$ | 31 Dec 2022 \$ | % change |
|---|-------------------|-------------------|-------------|
| Funds Under Management (\$ million) | 599.0 | 577.1 | +4% |
| Recurring Revenue¹ | 4,941.5 | 4,782.2 | +3% |
| Ongoing Operating Expenses² | -2,023.5 | -1,915.2 | -6% |
| Operating profit from recurring revenue | 2,918.0 | 2,867.0 | +2% |
| Performance fee Income | 670.6 | 135.9 | +393% |
| Operating profit from investment management | 3,588.6 | 3,002.9 | +20% |
| Interest revenue and other income | 216.1 | 147.7 | +46% |
| Other income and gains/(loss) on investments | 540.3 | 1,665.1 | -68% |
| Employee share-based payment expense | 69.4 | -320.6 | +122% |
| Tax expense | -1,066.9 | -1,176.7 | +9% |
| Profit attributable to non-controlling interesting | -121.3 | -158.1 | +23% |
| Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group | 3,226.2 | 3,160.3 | +2% |
| Client Numbers (units) | 923 | 966 | -4% |
| Ongoing operating expenses to recurring revenue | 40.95% | 40.05% | +90bps |

¹ Represents management fees

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

Key Financial Highlights

Despite the ongoing bear market in the Small Ordinaries Industrial index, we have been able to grow our FUM by +4% on previous corresponding period ('pcp') thanks to outstanding absolute and relative performance in the Pure Microcap Value Fund and the Global Value Microcap Fund. Both of these funds provided clients with excellent returns and are we poised to expand absolute performance given the excellent fundamentals of the core constituents. Strong cost management also saw a slight increase in operating profit from recurring revenue to \$2.92m +2% pcp, in what continues to be challenging external conditions for the business.

Investment and Operational focus for FY24

In 1H24 our focus has been very much centred on trying to capture as much of the extraordinary investment opportunities available. Doing that when investor sentiment is down is not without its challenges. We successfully launched two SPVs, which were rapidly fully subscribed during 1H24 which provided us with additional capital to increase our investment in some select investee companies. For the 2H24 we will be launching a new strategy that will add to our global equities offering. The launch represents an exciting opportunity for our investors to align their investments with values. For our core offering we remain highly underinvested in several companies and increasing our gross inflows to capture those opportunities remains a key priority for the business.

First Half Dividend and Balance Sheet

The Board of Microequities Asset Management Group Limited is pleased to declare a 1.8 cent per share fully franked dividend. The dividend payment is consistent with the dividend policy of the company, which is to pay between 70% to 100% of the cash operating profit from the investment management operations. The balance sheet of the business has been further strengthened during the half with \$6.5 million in cash at the end of the period and net tangible assets of \$20.5 million +5.6% on pcp.

Outlook for FY24

It is likely that 2024 will mark the peak for central bank rates in most developed economies including the USA and Australia. Should that scenario eventuate, historically that has revitalised investor sentiment towards our asset class. The business is in an excellent position to improve its economies of scale and capture significant FUM growth. In absence of that scenario the business will focus on the variables it has control over, namely acute focus on continuing to deliver absolute and relative outperformance for its clients, the launch of new exciting product for the 2H24 and concerted effort in the sales and marketing activities to showcase the strong value accretion of our investment management offering.



Carlos Gil
Chief Executive Officer, Chief Investment Officer

15 February 2024

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Microequities Asset Management Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

Leslie Szekely - Chairman
Carlos Gil
Samuel Gutman
Dr Alexander Abrahams

Principal activities

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

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$3,226,216 (31 December 2022: \$3,160,294).

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

Significant changes in the state of affairs

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

Auditor's independence declaration

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

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

On behalf of the directors



Leslie Szekely
Chairman



Carlos Gil
Chief Executive Officer

15 February 2024

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

As lead auditor for the review of Microequities Asset Management Group Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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



Tim Aman
Director

BDO Audit Pty Ltd

Sydney, 15 February 2024

Microequities Asset Management Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 31 Dec 2023 | 31 Dec 2022 |
| | | \$ | \$ |
| Revenue from contracts with customers | 4 | 5,728,957 | 5,019,461 |
| Other income and gains on investments | 5 | 540,313 | 1,665,127 |
| Interest revenue calculated using the effective interest method | | 99,271 | 46,302 |
| Expenses | | | |
| Employee benefits expenses | | (1,271,784) | (1,588,715) |
| Depreciation expenses | 8 | (103,612) | (102,790) |
| Legal and professional expenses | | (118,994) | (93,801) |
| Advertising expenses | | (59,088) | (142,564) |
| Occupancy expenses | | (37,830) | (24,542) |
| Other expenses | | (352,825) | (278,093) |
| Interest expenses | | (9,981) | (5,311) |
| Profit before income tax expense | | 4,414,427 | 4,495,074 |
| Income tax expense | | (1,066,892) | (1,176,710) |
| Profit after income tax expense for the half-year | | 3,347,535 | 3,318,364 |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income for the half-year | | <u>3,347,535</u> | <u>3,318,364</u> |
| Profit for the half-year is attributable to: | | | |
| Non-controlling interest | | 121,319 | 158,070 |
| Owners of Microequities Asset Management Group Limited | | <u>3,226,216</u> | <u>3,160,294</u> |
| | | <u>3,347,535</u> | <u>3,318,364</u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | 121,319 | 158,070 |
| Owners of Microequities Asset Management Group Limited | | <u>3,226,216</u> | <u>3,160,294</u> |
| | | <u>3,347,535</u> | <u>3,318,364</u> |
| | | Cents | Cents |
| Basic earnings per share | 14 | 2.46 | 2.42 |
| Diluted earnings per share | 14 | 2.44 | 2.39 |

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

Microequities Asset Management Group Limited
Consolidated statement of financial position
As at 31 December 2023



| | | Consolidated | |
|---|------|-------------------|-------------------|
| | Note | 31 Dec 2023 \$ | 30 Jun 2023 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 6,493,535 | 6,198,021 |
| Trade and other receivables | 6 | 1,158,560 | 1,379,694 |
| Other assets | | 357,423 | 378,407 |
| Total current assets | | <u>8,009,518</u> | <u>7,956,122</u> |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 7 | 14,199,749 | 13,246,891 |
| Right-of-use assets | 8 | 414,450 | 518,062 |
| Total non-current assets | | <u>14,614,199</u> | <u>13,764,953</u> |
| Total assets | | <u>22,623,717</u> | <u>21,721,075</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | 578,311 | 581,359 |
| Lease liabilities | 10 | 216,347 | 205,763 |
| Income tax payable | | 166,256 | 274,549 |
| Employee benefits | | 361,445 | 300,106 |
| Total current liabilities | | <u>1,322,359</u> | <u>1,361,777</u> |
| Non-current liabilities | | | |
| Lease liabilities | 10 | 238,678 | 347,931 |
| Deferred tax liability | | 83,748 | 32,870 |
| Employee benefits | | 404,853 | 479,942 |
| Total non-current liabilities | | <u>727,279</u> | <u>860,743</u> |
| Total liabilities | | <u>2,049,638</u> | <u>2,222,520</u> |
| Net assets | | <u>20,574,079</u> | <u>19,498,555</u> |
| Equity | | | |
| Issued capital | 11 | 2,716,824 | 2,875,370 |
| Reserves | | 257,197 | 253,167 |
| Retained earnings | | 17,600,033 | 16,369,993 |
| Equity attributable to the owners of Microequities Asset Management Group Limited | | 20,574,054 | 19,498,530 |
| Non-controlling interest | | 25 | 25 |
| Total equity | | <u>20,574,079</u> | <u>19,498,555</u> |

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

Microequities Asset Management Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023



| Consolidated | Issued capital \$ | Reserves \$ | Retained earnings \$ | Non-controlling interest \$ | Total equity \$ |
|--|-----------------------------|-----------------------|--------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2022 | 2,973,619 | 80,189 | 15,781,312 | 10 | 18,835,130 |
| Profit after income tax expense for the half-year | - | - | 3,160,294 | 158,070 | 3,318,364 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 3,160,294 | 158,070 | 3,318,364 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments | - | 106,992 | - | - | 106,992 |
| Share buy-back | (59,736) | - | - | - | (59,736) |
| Changes to treasury shares | (2,954) | - | - | - | (2,954) |
| Contributions of equity by non-controlling interest | - | - | - | 15 | 15 |
| Distribution of profits to non-controlling interest | - | - | - | (158,070) | (158,070) |
| Dividends paid (note 12) | - | - | (2,672,329) | - | (2,672,329) |
| Balance at 31 December 2022 | 2,910,929 | 187,181 | 16,269,277 | 25 | 19,367,412 |

| Consolidated | Issued capital \$ | Reserves \$ | Retained earnings \$ | Non-controlling interest \$ | Total equity \$ |
|--|-----------------------------|-----------------------|--------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2023 | 2,875,370 | 253,167 | 16,369,993 | 25 | 19,498,555 |
| Profit after income tax expense for the half-year | - | - | 3,226,216 | 121,319 | 3,347,535 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 3,226,216 | 121,319 | 3,347,535 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments | - | 4,030 | - | - | 4,030 |
| Share buy-back (note 11) | (158,546) | - | - | - | (158,546) |
| Distribution of profits to non-controlling interest | - | - | - | (121,319) | (121,319) |
| Dividends paid (note 12) | - | - | (1,996,176) | - | (1,996,176) |
| Balance at 31 December 2023 | 2,716,824 | 257,197 | 17,600,033 | 25 | 20,574,079 |

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

Microequities Asset Management Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023



| | Consolidated | |
|---|-------------------------|-------------------------|
| Note | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 6,103,273 | 5,504,082 |
| Payments to suppliers and employees (inclusive of GST) | (2,405,201) | (2,391,447) |
| Dividends and distributions received | 213,418 | 3,936 |
| Interest received | 93,022 | 36,394 |
| Interest and other finance costs paid | (9,981) | (5,311) |
| Income taxes paid | (1,124,307) | (689,856) |
| | <u>2,870,224</u> | <u>2,457,798</u> |
| Cash flows from investing activities | | |
| Payments for investments | (200,000) | (500,000) |
| Proceeds from release of security deposits | - | 240,329 |
| | <u>(200,000)</u> | <u>(259,671)</u> |
| Cash flows from financing activities | | |
| Contributed capital by non-controlling interest | - | 15 |
| Repayments under loan funded share plan | - | 27,025 |
| Payments for share buy-backs | 11 (158,546) | (59,736) |
| Dividends paid | 12 (1,996,176) | (2,672,329) |
| Distribution of profits to non-controlling interest | (121,319) | (158,070) |
| Repayment of lease liabilities | (98,669) | (99,855) |
| | <u>(2,374,710)</u> | <u>(2,962,950)</u> |
| Net cash used in financing activities | | |
| Net increase/(decrease) in cash and cash equivalents | 295,514 | (764,823) |
| Cash and cash equivalents at the beginning of the financial half-year | 6,198,021 | 6,728,635 |
| Cash and cash equivalents at the end of the financial half-year | <u><u>6,493,535</u></u> | <u><u>5,963,812</u></u> |

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

Note 1. General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have any significant impact for the full financial year ending 30 June 2024.

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

Note 3. Operating segments

The main business activities of the Group are the provision of funds management services. The Board of Directors is identified as the Chief Operating Decision Maker ('CODM'), and it considers 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 is therefore not duplicated for the purposes of segment disclosure. The Group operates only in Australia and information on revenue from products and services is included in note 4.

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

Note 4. Revenue from contracts with customers

| | Consolidated | |
|------------------|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Management fees | 4,941,505 | 4,782,171 |
| Performance fees | 670,602 | 135,873 |
| Other revenue | 116,850 | 101,417 |
| | <u>5,728,957</u> | <u>5,019,461</u> |

Disaggregation of revenue

All revenue is generated in Australia and recognised over time.

Note 5. Other income and gains on investments

| | Consolidated | |
|--------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Dividends and distributions | 284,935 | 40,637 |
| Unrealised gain on investments | 255,378 | 1,624,490 |
| | <u>540,313</u> | <u>1,665,127</u> |

Note 6. Trade and other receivables

| | Consolidated | |
|-------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 1,098,023 | 899,443 |
| Other receivable | 25,417 | 25,417 |
| Trust distribution receivable | 14,044 | 440,007 |
| Interest receivable | 21,076 | 14,827 |
| | <u>1,158,560</u> | <u>1,379,694</u> |

Note 7. Financial assets at fair value through profit or loss

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Investment in unlisted Australian unit trusts - designated at fair value through profit or loss | <u>14,199,749</u> | <u>13,246,891</u> |

Refer to note 13 for further information on fair value measurement.

Note 8. Right-of-use assets

| | Consolidated | |
|--------------------------------|--------------------|------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Right-of-use assets | 1,484,383 | 1,484,383 |
| Less: Accumulated depreciation | <u>(1,069,933)</u> | <u>(966,321)</u> |
| | <u>414,450</u> | <u>518,062</u> |

The Group leases office premises under an operating lease expiring in December 2025. The lease has various escalation clauses. On renewal, the terms of the lease are renegotiated.

Reconciliations

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

| Consolidated | Office premises \$ |
|-----------------------------|-----------------------|
| Balance at 1 July 2023 | 518,062 |
| Depreciation expense | <u>(103,612)</u> |
| Balance at 31 December 2023 | <u>414,450</u> |

Note 9. Trade and other payables

| | Consolidated | |
|-----------------------------|----------------|----------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 167,335 | 192,561 |
| Accruals and other payables | <u>410,976</u> | <u>388,798</u> |
| | <u>578,311</u> | <u>581,359</u> |

Note 10. Lease liabilities

| | Consolidated | |
|--------------------------------|----------------|----------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Lease liability | <u>216,347</u> | <u>205,763</u> |
| <i>Non-current liabilities</i> | | |
| Lease liability | <u>238,678</u> | <u>347,931</u> |
| | <u>455,025</u> | <u>553,694</u> |

Note 11. Issued capital

| | Consolidated | | | |
|------------------------------|-----------------------|-----------------------|--------------------|--------------------|
| | 31 Dec 2023 Shares | 30 Jun 2023 Shares | 31 Dec 2023 \$ | 30 Jun 2023 \$ |
| Ordinary shares - fully paid | 132,802,339 | 133,085,356 | 4,368,430 | 4,526,976 |
| Less: Treasury shares | <u>(1,728,395)</u> | <u>(1,728,395)</u> | <u>(1,651,606)</u> | <u>(1,651,606)</u> |
| | <u>131,073,944</u> | <u>131,356,961</u> | <u>2,716,824</u> | <u>2,875,370</u> |

Movements in ordinary share capital

| Details | Date | Shares | \$ |
|----------------|-------------------|--------------------|------------------|
| Balance | 1 July 2023 | 133,085,356 | 4,526,976 |
| Share buy-back | 3 July 2023 | (6,983) | (4,229) |
| Share buy-back | 18 August 2023 | (20,358) | (12,133) |
| Share buy-back | 25 August 2023 | (58,688) | (33,486) |
| Share buy-back | 31 August 2023 | (96,413) | (52,603) |
| Share buy-back | 4 September 2023 | (2,348) | (1,268) |
| Share buy-back | 5 September 2023 | (7,031) | (4,043) |
| Share buy-back | 7 September 2023 | (25,919) | (14,659) |
| Share buy-back | 8 September 2023 | (1,469) | (801) |
| Share buy-back | 12 September 2023 | (3,957) | (2,159) |
| Share buy-back | 18 September 2023 | (11,013) | (6,339) |
| Share buy-back | 22 September 2023 | <u>(48,838)</u> | <u>(26,826)</u> |
| Balance | 31 December 2023 | <u>132,802,339</u> | <u>4,368,430</u> |

Share buy-back

During the financial half-year, the Company bought back 283,017 shares at the cost of \$158,546. The buy-back program is expected to expire on 8 November 2024.

Note 12. Dividends

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

| | Consolidated | |
|---|-------------------|-------------------|
| | 31 Dec 2023 \$ | 31 Dec 2022 \$ |
| Final dividend for the year ended 30 June 2023 of 1.5 cents per ordinary share (2022: 2.0 cent) | <u>1,996,176</u> | <u>2,672,329</u> |

On 15 February 2024, the directors declared a fully franked interim dividend for the year ending 30 June 2024 of 1.8 cents per ordinary share, to be paid on 8 March 2024 to eligible shareholders on the register on 23 February 2024. This equates to a total estimated distribution of \$2,359,331, based on the number of ordinary shares on issue as at 31 December 2023. The financial effect of dividends declared after the reporting date are not reflected in the 31 December 2023 financial statements and will be recognised in subsequent financial statements.

Note 13. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 31 Dec 2023 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|---------------|---------------|---------------|-------------|
| <i>Assets</i> | | | | |
| Investment in unlisted Australian unit trusts | - | 12,142,643 | 2,057,106 | 14,199,749 |
| Total assets | - | 12,142,643 | 2,057,106 | 14,199,749 |

| Consolidated - 30 Jun 2023 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|---------------|---------------|---------------|-------------|
| <i>Assets</i> | | | | |
| Investment in unlisted Australian unit trusts | - | 11,323,846 | 1,923,045 | 13,246,891 |
| Total assets | - | 11,323,846 | 1,923,045 | 13,246,891 |

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

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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

Investments in unlisted Australian unit trusts (level 2)

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.

Investments in unlisted Australian unit trusts (level 3)

The balance disclosed in level 3 fair value hierarchy relates to a unitholding in a fund acquired in July 2021 for which Microequities Asset Management Pty Limited is the trustee. The number of units held by the Group is approximately 3% of the fund. The fund's portfolio is comprised of cash, listed securities, convertible notes and unlisted private securities. The fund is a close ended fund which had been set up in July 2021. Level 3 investments have been valued using a discounted cash flow model.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

| Consolidated | Investment in unlisted Australian unit trusts \$ |
|--|--|
| Balance at 1 July 2023 | 1,923,045 |
| Gains recognised in profit or loss | 16,720 |
| Additions through distribution reinvestment plan | 117,341 |
| Balance at 31 December 2023 | <u>2,057,106</u> |

Note 14. Earnings per share

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Profit after income tax | 3,347,535 | 3,318,364 |
| Non-controlling interest | <u>(121,319)</u> | <u>(158,070)</u> |
| Profit after income tax attributable to the owners of Microequities Asset Management Group Limited | <u>3,226,216</u> | <u>3,160,294</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 131,170,646 | 130,737,294 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | - | 787,200 |
| Performance rights over ordinary shares | <u>1,171,658</u> | <u>695,153</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>132,342,304</u> | <u>132,219,647</u> |
| | Cents | Cents |
| Basic earnings per share | 2.46 | 2.42 |
| Diluted earnings per share | 2.44 | 2.39 |

The weighted average number of ordinary shares for half-year ended 31 December 2023 does not include 1,728,395 treasury shares (31 December 2022: 2,836,583).

Note 15. Events after the reporting period

Apart from the dividend declared as disclosed in note 12, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Leslie Szekely
Chairman



Carlos Gil
Chief Executive Officer

15 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Microequities Asset Management Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Microequities Asset Management Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

A handwritten signature in black ink that reads 'Tim Aman'. The signature is written in a cursive style with a horizontal line above the first few letters.

Tim Aman
Director

Sydney, 15 February 2024