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THE GROWTH JOURNEY CONTINUES

Microequities Asset Management Group Limited
ACN 110 777 056

This offer is for 23,726,865 Shares in Microequities Asset Management Group Limited at a price of \$0.80 per Share. This is not an offer to buy units in the investment products that Microequities Asset Management Group Limited manages.

prospectus

IPO

INITIAL PUBLIC OFFERING

MAM



IMPORTANT INFORMATION

OFFER

The Offer contained in this Prospectus is an invitation to apply to purchase fully paid ordinary shares in Microequities Asset Management Group Limited ACN 110 777 056 (**Microequities or Company**). This Prospectus is issued by Microequities and Microequities (SaleCo) Pty Ltd ACN 624 140 156 (**SaleCo**).

LODGEMENT AND LISTING

This Prospectus is dated 15 March 2018 (**Prospectus Date**) and was lodged with ASIC on that date. This is a replacement prospectus which replaces the Prospectus dated 8 March 2018 (**Original Prospectus**) and which was lodged with ASIC on that date (**Original Prospectus Date**).

This replacement prospectus has been issued solely to include a nominal issue of one Share by Microequities for the purposes of the liability regime under Chapter 6D of the Corporations Act.

Microequities has applied to ASX within seven days of the Original Prospectus Date for admission of the Company to the Official List and for quotation of its Shares on ASX. None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be sold on the basis of this Prospectus later than 13 months after the Original Prospectus Date.

NOT INVESTMENT ADVICE

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any Share Investor.

CONSIDER RISKS OF INVESTMENT

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of Microequities you should consider the best estimate assumptions underlying any forward looking

statement, together with the risk factors that could affect the Company's business, financial condition and results of operations. Some of the key risk factors that should be considered by Share Investors are set out in Sections 1.4 and 5 of this Prospectus. However, there may be risk factors in addition to these that should be considered in light of your personal circumstances. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Shares.

DISCLAIMER

Except as required by law, and only to the extent so required, no person named in this Prospectus, nor any other person, guarantees the performance of Microequities, the repayment of capital by Microequities, or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by Microequities, its Directors, or any other person involved in the preparation of the Prospectus or the making of the Offer. In making any investment decision you should rely only on information in this Prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits Microequities from processing applications to acquire Shares under this Prospectus (**Applications**) in the seven-day period after the Original Prospectus Date (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period and no preference will be conferred on them.

During the Exposure Period, this Prospectus will be made available to Australian residents at the Company's website, <http://microequities.com.au/IPO>.

AVAILABILITY OF THIS PROSPECTUS

This Prospectus is being made available to Australian resident Share Investors in electronic form at the Offer website, <http://microequities.com.au/IPO>. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia.

A hard copy of the Prospectus will be made available free of charge during the Offer Period to any person in Australia by calling the Offer Information Line on 1 800 425 578 between 8.30 am and 5.30 pm Sydney, Australia time Monday to Friday (business days only) during the Offer Period.

Hard copy and electronic versions of this Prospectus are generally not available to persons in other jurisdictions.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of Microequities. Share Investors should be aware that past performance should not be relied upon as being indicative of future performance.

FINANCIAL PERFORMANCE

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation for the financial information. The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the risk factors set out in Sections 1.4 and 5.

All references to financial years appearing in this Prospectus are to the financial years ended or ending 30 June (as relevant), unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

IMPORTANT INFORMATION

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements which are identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may”, and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of Microequities’ industry growth or other trend projections are or may be forward-looking statements.

Any forward looking statements are subject to various known and unknown risk factors that could cause Microequities’ actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Microequities or its Directors and Management. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Sections 1.4 and 5 and other information in this Prospectus.

No assurance is given that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and Share Investors are cautioned not to place undue reliance on these forward-looking statements. The Company will not necessarily update or revise forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from general market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Sections 1.4 and 5.

SELLING RESTRICTIONS IN FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, this Prospectus may not be released or distributed in the United States. The Shares have not been, and will not be, registered under the US Shares Act of 1933, as amended (**US Shares Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Shares Act or are offered and sold in transactions exempt from, or not subject to the registration requirements of the US Shares Act and any other applicable US securities laws.

The taxation treatment of the Shares may not be the same as those for securities in jurisdictions outside Australia. If you are

uncertain about whether this investment is appropriate for you, you should seek the advice of your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

NO COOLING OFF RIGHTS

Cooling off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Original Prospectus Date.

DOCUMENTS AVAILABLE ON WEBSITE

Any references to documents included on Microequities’ website at <http://microequities.com.au/> or the Offer website <http://microequities.com.au/IPO> are for convenience only, and none of the documents or other information available on those websites is incorporated in this Prospectus by reference.

DEFINED TERMS AND INTERPRETATION

Defined terms and abbreviations used in this Prospectus have the meanings given in the glossary of this Prospectus at Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia. Unless otherwise stated or implied, references to dates or years are calendar year references.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sum of components in tables contained in this Prospectus are due to rounding.

IMPORTANT INFORMATION

APPLICATIONS

Applications for Shares under this Prospectus may only be made during the Offer Period on the Application Form accompanying the electronic form of the Prospectus available at <http://microequities.com.au/IPO> (**Application Form**). No hard copy Application Form will be made available. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from allowing a person to access the Application Form unless it is accompanied by this Prospectus in its complete and unaltered electronic form. Refer to Section 7.7 for further information.

As set out in Section 7.12, it is expected that the Shares will be quoted on ASX initially on a normal settlement basis. To the extent permitted by law, each of the Company and the Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or otherwise.

PRIVACY

By filling out the Application Form to apply for Shares, you are providing personal information to Microequities and the Registry, which is contracted by the Company to manage Applications. Microequities, and the Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carry out appropriate administration. If you do not provide the information requested in the Application Form, Microequities and the Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Shares register. In accordance with the requirements of the Corporations Act, information on the Share register will be

accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

Your personal information may also be used from time to time to inform you about other products and services offered by Microequities which it considers may be of interest to you. Your personal information may also be provided to Microequities' agents and service providers on the basis that they deal with such information in accordance with Microequities' privacy policy. The agents and service providers of Microequities may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Registry for ongoing administration of the Share register;
- Brokers for the purpose of providing their services;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in Microequities' Share register is also used to facilitate corporate communications (including Microequities'

financial results, annual reports and other information that Microequities may wish to communicate to its Shareholders) and compliance by Microequities with legal and regulatory requirements. An Applicant has a right to access, correct and update his or her personal information that Microequities and the Registry hold about that person, subject to certain exemptions under law. A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to Microequities' registered office or the Registry's office, details of which are disclosed in the corporate directory on page 101 of this Prospectus. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Registry if any of the details you have provided change.

Applicants can obtain a copy of Microequities' privacy policy by visiting Microequities' website <http://microequities.com.au/privacy-statement/>. By submitting an Application, you agree that Microequities and the Registry may communicate with you in electronic form or to contact you by telephone in relation to the Offer.

QUESTIONS

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Instructions on how to apply for Shares are set out in Section 7 and on the Offer website at <http://microequities.com.au/IPO>. Alternatively, please contact the Offer Information Line on 1 800 425 578 between 8:30 am and 5:30 pm Sydney, Australia time, Monday to Friday (business days only) during the Offer Period.

This document is important and should be read in its entirety before making any investment decision.

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KEY OFFER INFORMATION

INDICATIVE DATES

Prospectus Date	15 March 2018
Opening date of Offer	16 March 2018
Closing time of Offer	5:00 pm, 18 April 2018
Transfer and issue of Shares (Completion of the Offer)	24 April 2018
Expected despatch of holding statements	24 April 2018
Shares begin ASX trading (normal settlement basis)	30 April 2018

DATES MAY CHANGE

The above dates are indicative only and may be subject to change. Unless indicated, all times and dates are Sydney, Australia time. Microequities reserves the right to vary the dates and times of the Offer, including to extend the Offer, close the Offer early or to accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Share Investors are encouraged to submit their Applications as soon as possible.

IMPORTANT STATISTICS

Offer Price	\$0.80
Total number of Shares offered under the Offer	23,726,865
Total number of Shares on issue on Completion of the Offer	132,938,073
Total number of Options on issue on Completion of the Offer	2,713,022
Market capitalisation ¹	\$106.4 million
Enterprise value ²	\$99.7 million
Free Float ³	25.1%
Targeted dividend payout policy ⁴	70% to 100%

1. Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price.
2. Enterprise Value is calculated as Market Capitalisation (as calculated under 1, above) less cash and financial assets as at 31 December 2017 as per the Pro Forma Historical Statement of Financial Position.
3. Free Float is the percentage calculated as the number of Shares offered under the Offer plus Shares held by Pre-IPO Shareholders (excluding Directors and staff) divided by the total number of Shares on issue on Completion of the Offer.
4. Subject to future business conditions, the performance of Microequities and Microequities future cash requirements, the Directors' current intention is to target a dividend payout ratio in the range of 70% to 100% of Net Operating Cash Profit. Since all income of Microequities is Australian sourced and Australian tax is paid on that income, it is likely, but not guaranteed, that any dividend that is paid will be fully franked. It is the current intention of the Directors to pay interim dividends in respect of the financial half years ending 31 December and final dividends in respect of the financial full years ending 30 June. Despite this, no assurances can be given by any person, including the Directors, about the payment of any dividend, the amount of any dividend and the level of franking (if any) on any such dividend in future periods. The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results and financial condition of the Company.

CHAIRPERSON'S LETTER

Dear Investor,

On behalf of the Directors of Microequities, it is my pleasure to offer you the opportunity to become a fellow shareholder in Microequities. The Board has decided to seek a listing of Microequities on ASX as soon as practicable and the initial public offering will be an opportunity for many of our Clients to join the Company as shareholders and solidify the commercial bond between the Company and its Clients. This alignment is core to Microequities' philosophy.

Microequities is a specialist Microcap and Smallcap Fund Manager that invests using a Value Based Investment Doctrine. The Company, which was founded by Carlos Gil, the current Chief Executive Officer and Chief Investment Officer, commenced operations in 2006, initially providing specialist investment research on Microcap companies. Microequities manages funds exclusively for Wholesale and Sophisticated Investors. Client numbers in Microequities' products have grown from 73 as at 30 June 2013 to 837 as at 31 December 2017.

In early 2014 Microequities undertook a limited capital raising to investors in the Funds and this envisaged an eventual ASX listing as part of the continued growth journey of the business. At the time of the capital raising, the Company's funds under management (**FUM**) was \$58 million. This has grown to \$442 million as at 31 December 2017, representing compound growth of approximately 69% per annum.

The Board believes that listing on the ASX will improve awareness of the Microequities brand in the investment community, which is expected to assist with growth of funds under management. The Board also believes that the listing is in the best interests of the Company and all shareholders.

The Offer represents the sale of a maximum of 17.8% of the Existing Shares. The Listing is being facilitated through the sale by the three largest Shareholders of a proportion of their Shares with the sole purpose of satisfying the ASX free float and shareholder spread requirements for Listing. Given the strength of the balance sheet and the cash flow generation of the business no new equity will be raised by the Offer (subject to legal requirements). Shares are being offered at a price of \$0.80 per Share which values Microequities at approximately \$106.4 million upon Listing.

Microequities has grown its revenue, profitability and FUM strongly since its first Fund was launched in 2009. The Board believes it can continue to grow by providing attractive investment returns along with a high touch customer service model to investors. Compound annual returns since Inception for the two longest operating Funds (reflecting Microequities' investment philosophy and time frame as a long-term investor), being the Deep Value Fund and the High Income Value Microcap Fund, have been 24.41% and 13.61% respectively.¹

This Prospectus contains information about Microequities, as well as details of the Offer. I encourage you to read it carefully and to consider all of the risks outlined in Section 5 before deciding whether to invest. To invest, you will need to complete the Application Form accompanying the online Prospectus at <http://microequities.com.au/IPO> prior to the Closing Date on 18 April 2018.

On behalf of the Board, I commend this investment opportunity to you, and look forward to welcoming you as a Shareholder. Please be sure to note the closing time of the Offer and the fact that we may need to scale back requests for Shares based on demand and the need to achieve a minimum shareholder spread for listing purposes.

Yours sincerely,



Les Szekely
Chairperson

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1. Returns are compound annualised rates of return net of all fees and expenses and reinvestment of distributions from Inception of the Deep Value Fund and the High Income Value Microcap Fund (being March 2009 and March 2012 respectively) to 31 December 2017 inclusive. This compares against a performance of 12.71% and 10.66% for the S&P/ASX All Ordinaries Accumulation Index over the same respective period, being the index which in Management's opinion most closely reflects the underlying investments of the Deep Value Fund and the High Income Value Microcap Fund and is included for comparative purposes only. See Sections 3.1 and 3.6 of this Prospectus for further information on Fund performance, including one other Fund, the Global Microcap Value Fund, which has been in existence for a much shorter time frame (since December 2015 only).
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INVESTMENT OVERVIEW

I INVESTMENT OVERVIEW

The information set out in this Section 1 is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Shares under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

I.1 BUSINESS OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is Microequities and what does it do?	<p>Microequities is a specialist Microcap and Smallcap Fund Manager that invests using a Value Based Investment Doctrine.</p> <p>Microequities only accepts investments from investors that are Wholesale and Sophisticated Investors. Microequities Clients are predominantly high net worth individuals, mainly investing either directly, through self managed superannuation funds or family trusts.</p> <p>As at 31 December 2017, Microequities had \$442 million of funds under management for 837 unique Clients across four core Open-ended Funds and eight other ancillary products.</p>	Section 3
What is the industry in which Microequities operates?	<p>Microequities operates in the Australian managed funds industry, which offers a broad range of products and services for the accumulation and management of personal wealth. The industry is composed mainly of superannuation based and non-superannuation based managed funds, life insurance corporations, unit trusts and funds managed by professional service firms (Fund Managers). The Funds are spread across a range of asset classes, including but not limited to Australian and international equities, bonds, property and commodities.</p>	Section 2
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none">• facilitate the Listing;• provide an opportunity for Clients to join the Company as Shareholders and solidify the commercial bond between the Company and its Clients;• provide an opportunity to the general public to become Shareholders in a growing funds management business; and• improve awareness of the Microequities brand in the investment community through being listed on ASX.	Section 7.2

I INVESTMENT OVERVIEW

1.2 KEY FEATURES OF MICROEQUITIES' BUSINESS MODEL

TOPIC	SUMMARY	FOR MORE INFORMATION
How does Microequities generate revenue?	Microequities derives income from two primary sources: revenue, which is recurring revenue from Management Fees and Administration Fees, and Performance Fees, which are derived based on the performance of each Fund on an individual investor basis. Other income sources are investment income on treasury assets and miscellaneous other income.	Section 3.8
What is Microequities' approach to investing?	Microequities approaches investing in equities as being akin to entering into a business partnership and becoming part owners in the business. Microequities takes a long-term, buy and hold approach to investment decisions. Microequities seeks to identify quality, profitable, undervalued companies with genuine long-term growth pathways run by competent and honest management teams.	Section 3.5
What products does Microequities offer?	<p>The core Microequities products are the four perpetual Open-ended Funds, which represented 84% of funds under management (FUM) as at 31 December 2017:</p> <ul style="list-style-type: none"> • the Deep Value Fund (DVF); • the High Income Value Microcap Fund (HIMF); • the Global Value Microcap Fund (GVMF); and • the Pure Microcap Value Fund (PMVF). <p>Microequities also operates eight other ancillary products (being seven Close-ended Funds and one Open-ended Fund).</p>	Section 3.6
What is Microequities' strategy?	Microequities' strategy is to continue to grow its FUM through a combination of the underlying performance in its investment products and net inflows. Microequities' distribution model is focused predominately on a direct to investor channel and to a lesser extent the independent financial advisor market.	Section 3.4
How does Microequities manage investment risk?	Risk management of Microequities' investments is centred on assessing and monitoring fundamental risks that could prejudice or adversely affect the ability of the investee companies to generate revenue, earnings and cash flow or maintain their competitive advantage.	Section 3.10
Who are Microequities' Clients?	Microequities only accepts investments from investors that are Wholesale and Sophisticated Investors. Clients are predominantly high net worth individuals, mainly investing directly, through self managed superannuation funds or through family trusts.	Section 3.4
Why do Clients select Microequities?	<p>The Directors believe Clients primarily select Microequities due to:</p> <ul style="list-style-type: none"> • the strong track record of investment performance leading to referrals from existing investors and boutique advisers; and • the "high touch" business model, with a high service capability. 	Section 3.4

I INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Which geographic markets does Microequities operate in?	<p>Microequities' operations are located wholly in Australia and a significant portion of the FUM (approximately 88% as at 31 December 2017) is invested in Australian companies.</p> <p>Microequities' exposure to offshore markets is predominantly through its management of GVMF, which has investments in listed companies in the UK, the US, Continental Europe, Canada and New Zealand.</p>	Section 3.6
How does Microequities expect to fund its operations?	<p>Following Completion, Microequities' principal sources of funds are expected to be cash on hand and revenue generated from operations.</p> <p>Microequities expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs.</p>	Section 4.6
What is Microequities' dividend policy?	<p>Subject to future business conditions, the performance of Microequities and Microequities' future cash requirements, the Directors current intention is to target a dividend payout ratio in the range of 70% to 100% of Net Operating Cash Profit. Since all income of Microequities is Australian sourced and Australian tax is paid on that income, it is likely, but not guaranteed, that any dividend that is paid will be fully franked. It is the current intention of the Directors to pay interim dividends in respect of the financial half years ending 31 December and final dividends in respect of the financial full years ending 30 June.</p> <p>Despite this, no assurances can be given by any person, including the Directors, about the payment of any dividend, the amount of any dividend and the level of franking (if any) on any such dividend in future periods. The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results and financial condition of the Company.</p>	Section 4.10
Who does Microequities compete with?	<p>Boutique Fund Managers that have similar investment strategies to Microequities or invest in small capitalisation companies include K2 Asset Management, Acorn Capital, Contango Asset Management and Smallco Investment Manager Limited.</p>	Section 2.4
What is Microequities' competitive position?	<p>Microequities differentiates itself within the competitive funds management industry by positioning itself as a Microcap and Smallcap specialist Fund Manager. Microequities' long term Value Based Investment Doctrine provides investors with a differentiated investment strategy that combines value and growth.</p>	Section 2.4

I INVESTMENT OVERVIEW

1.3 SUMMARY OF KEY STRENGTHS

TOPIC	SUMMARY	FOR MORE INFORMATION
Business model	<p>The Microequities business model has high operating leverage and strong cash flow generation. Microequities has two main revenue streams; Performance Fees and Management Fees. Management Fees are of a recurring nature whilst Performance Fees are variable and dependent on investment return performance of specific products surpassing required thresholds.</p> <p>Given the business' low capital requirements, Microequities has historically paid out a high percentage of its Net Operating Cash Profit as dividends.</p>	Section 3.4
Diversified and growing Client base	<p>Microequities has a highly diversified Client base with no significant gatekeepers or relationship reliance. Most of Microequities' Clients are direct Clients and the core of Microequities' FUM is highly diversified. The Company has historically achieved strong Client number growth through Client advocacy and marketing initiatives.</p> <p>Over recent years, Microequities has launched various new products which has resulted in Clients increasing the depth and breadth of their relationship with Microequities via multi-product ownership.</p>	Section 3.7
Investment management team	<p>Microequities has a highly credentialed and stable investment management team with strong track record of sustained outperformance. All members of the investment management team have equity or rights to equity in Microequities and have long term incentives creating alignment with Shareholders.</p> <p>Aligned investors (staff, Directors and Pre-IPO Shareholders) currently make up over 20% of FUM.</p>	Section 3.9
Specialist Microcap and Smallcap manager	<p>Microcap and Smallcap asset classes can provide strong growth producing attractive returns for investors. These asset classes in particular require specialist investment skills and experience. Microequities has a ten year track record in this asset class.</p> <p>Microequities' combination of long term investing and a strict application of a Value Based Investment Doctrine differentiates Microequities from competitors who mostly focus solely on the growth qualities of the asset classes.</p>	Section 3.6

I INVESTMENT OVERVIEW

I.4 SUMMARY OF KEY RISKS (SEE ALSO SECTION 5)

There are a number of risk factors associated with the Company and a number of general risk factors associated with an investment in Shares. These risks may individually or in combination materially and adversely affect the future operating and financial performance of the Company and accordingly the value of Shares.

Although the Company attempts to mitigate risks via internal controls and safeguards, the occurrence or consequences of some of the risks described in this Prospectus are partially or completely outside the control of Microequities and its Directors and Management.

Set out below are some of the key risks associated with the Company, which are a subset of the risks set out in Section 5 of this Prospectus. Section 5 includes additional details on the risks set out below and details of other risks associated with an investment in Microequities. Share Investors should carefully read Section 5 in its entirety before deciding whether or not to apply for Shares.

TOPIC	SUMMARY
Market risk	All of Microequities' Funds have their investments revalued to market value at the end of each month. Unfavourable movements in financial markets could cause the market value of the Funds' underlying investments to decline, which would adversely affect Microequities' Management Fee and Performance Fee revenue and potentially investment inflow and outflow patterns.
Reliance on key staff	Loss of key staff could result in the performance of the Funds deteriorating, which may lead to a loss of Clients and an inability to attract new Clients. However, key staff have equity or rights to equity in the Company, creating alignment with shareholders and a long term focus.
Poor investment performance	Negative investment performance directly reduces FUM. Similarly, poor investment performance due to Microequities making poor investment decisions (as opposed to changes in market sentiment) could also reduce FUM. Poor performance relative to the market or competitors might also result in increased FUM outflows.
Regulatory change to the managed funds industry	There is a risk that the legislative and regulatory environment in which Microequities operates may change requiring Microequities to modify the way in which it conducts its business.

I INVESTMENT OVERVIEW

1.5 SUMMARY OF KEY FINANCIAL INFORMATION

TOPIC	SUMMARY	FOR MORE INFORMATION																																																												
Summary Pro Forma Financial Information	<table border="1"> <thead> <tr> <th style="text-align: left;">\$000</th> <th style="text-align: left;">NOTES</th> <th style="text-align: right;">FY16</th> <th style="text-align: right;">FY17</th> <th style="text-align: right;">1H17</th> <th style="text-align: right;">1H18</th> </tr> </thead> <tbody> <tr> <td>Total income</td> <td></td> <td style="text-align: right;">8,329</td> <td style="text-align: right;">15,637</td> <td style="text-align: right;">9,914</td> <td style="text-align: right;">5,644</td> </tr> <tr> <td>Total expenses</td> <td></td> <td style="text-align: right;">(1,669)</td> <td style="text-align: right;">(2,885)</td> <td style="text-align: right;">(1,287)</td> <td style="text-align: right;">(1,676)</td> </tr> <tr> <td>Profit before tax</td> <td></td> <td style="text-align: right;">6,660</td> <td style="text-align: right;">12,752</td> <td style="text-align: right;">8,626</td> <td style="text-align: right;">3,968</td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;">4,713</td> <td style="text-align: right;">9,336</td> <td style="text-align: right;">6,109</td> <td style="text-align: right;">2,885</td> </tr> <tr> <td>Dividends</td> <td style="text-align: center;">1</td> <td style="text-align: right;">3,094</td> <td style="text-align: right;">8,438</td> <td style="text-align: right;">5,710</td> <td style="text-align: right;">2,645</td> </tr> <tr> <td>Pro forma net assets</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">6,020</td> </tr> <tr> <td>Pro forma EPS</td> <td style="text-align: center;">2</td> <td style="text-align: right;">\$0.035</td> <td style="text-align: right;">\$0.070</td> <td></td> <td></td> </tr> <tr> <td>FUM at period end (\$m)</td> <td></td> <td style="text-align: right;">230</td> <td style="text-align: right;">365</td> <td style="text-align: right;">317</td> <td style="text-align: right;">442</td> </tr> <tr> <td>Clients</td> <td></td> <td style="text-align: right;">521</td> <td style="text-align: right;">769</td> <td style="text-align: right;">659</td> <td style="text-align: right;">837</td> </tr> </tbody> </table> <ol style="list-style-type: none"> Dividend in 1H18 includes a dividend paid in October 2017 as well as the dividend provided for in December 2017. Based on the undiluted number of shares on issue at the date of the Offer (132,938,072) and assuming they were on issue for the entire FY16 and FY17 years. 	\$000	NOTES	FY16	FY17	1H17	1H18	Total income		8,329	15,637	9,914	5,644	Total expenses		(1,669)	(2,885)	(1,287)	(1,676)	Profit before tax		6,660	12,752	8,626	3,968	Net profit		4,713	9,336	6,109	2,885	Dividends	1	3,094	8,438	5,710	2,645	Pro forma net assets					6,020	Pro forma EPS	2	\$0.035	\$0.070			FUM at period end (\$m)		230	365	317	442	Clients		521	769	659	837	Section 4.3
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What is the basis of preparation of Microequities' financial statements?	<p>The statutory consolidated historical financial statements of Microequities for FY16 and FY17 have been audited and were prepared as special purpose financial reports. The consolidated historical financial statements of Microequities for 1H17 and 1H18 have been reviewed by the Company's auditors and were prepared as general purpose financial statements. The measurement and recognition criteria of the special purpose financial statements comply with that of general purpose financial statements.</p> <p>The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).</p> <p>The Financial Information has been reviewed and reported on by BDO as set out in the Investigating Accountant's Report set out in Section 8. Share Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 8).</p> <p>The Directors of Microequities have not included any prospective financial information in this Prospectus because they are of the view that there are no reasonable grounds for the inclusion of such forecast information, given the uncertainty regarding the quantum or timing of receipt of future Performance Fees.</p>	Sections 4.2 and 8																																																												

I INVESTMENT OVERVIEW

I.6 DIRECTORS AND MANAGEMENT

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the Directors?	<ul style="list-style-type: none"> • Les Szekely, Non-executive Director and Chairperson; • Craig Shapiro, Non-executive Director; • Carlos Gil, Executive Director; and • Sam Gutman, Executive Director. 	Section 6.1
Who are the key members of management of Microequities?	<ul style="list-style-type: none"> • Carlos Gil, Chief Executive Officer and Chief Investment Officer; • Sam Gutman, Executive Director and Company Secretary; and • Paul Kaplan, Chief Operating Officer. 	Section 6.2

I.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY												
<p>Who are the substantial Shareholders and what will their interests be at Completion of the Offer?</p> <p>See Section 7.5 for more information</p>	<p>The substantial Shareholders in the Company after the Offer will be:</p> <table border="1"> <thead> <tr> <th>SHAREHOLDER</th> <th>SHARES FOLLOWING THE OFFER¹</th> <th>FULLY DILUTED % FOLLOWING THE OFFER¹</th> </tr> </thead> <tbody> <tr> <td>Gil Investment Company Pty Ltd (Carlos Gil)</td> <td>53,634,560</td> <td>39.5%</td> </tr> <tr> <td>Gutman Investment Partners Pty Ltd (Sam Gutman)</td> <td>22,955,539</td> <td>16.9%</td> </tr> <tr> <td>Szekely Super Fund (Les Szekely)</td> <td>18,317,357²</td> <td>13.5%</td> </tr> </tbody> </table> <p>1. Assumes that no existing substantial Shareholder applies for additional Shares under the Offer and all the Shares offered are sold in the Offer. Percentage shown is diluted for the 2,713,022 Options on issue. If only the minimum Applications for 17,003,782 Shares are received, the interests held, on a fully diluted basis, by Gil Investment Company Pty Ltd, Gutman Investment Partners Pty Ltd and Szekely Super Fund will be 42.3%, 18.1% and 14.5% respectively.</p> <p>2. Includes 5,325,408 Shares held by Bellite Pty Ltd ACN 056 441 386, a company controlled by Les Szekely.</p>	SHAREHOLDER	SHARES FOLLOWING THE OFFER ¹	FULLY DILUTED % FOLLOWING THE OFFER ¹	Gil Investment Company Pty Ltd (Carlos Gil)	53,634,560	39.5%	Gutman Investment Partners Pty Ltd (Sam Gutman)	22,955,539	16.9%	Szekely Super Fund (Les Szekely)	18,317,357 ²	13.5%
SHAREHOLDER	SHARES FOLLOWING THE OFFER ¹	FULLY DILUTED % FOLLOWING THE OFFER ¹											
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I INVESTMENT OVERVIEW

TOPIC

SUMMARY

What significant benefits and interests are payable to Directors and other persons connected with Microequities or the Offer and what significant interests do they hold?

See Sections 6.1 to 6.3 for more information

The Directors will hold the following interests in the Company after the Offer:

SHAREHOLDER	SHARES FOLLOWING THE OFFER ¹	FULLY DILUTED % FOLLOWING THE OFFER ¹
Gil Investment Company Pty Ltd (Carlos Gil)	53,634,560	39.5%
Gutman Investment Partners Pty Ltd (Sam Gutman)	22,955,539	16.9%
Szekely Super Fund (Les Szekely)	18,317,357 ²	13.5%
Design Management Investment Pty Ltd ATF Craca Unit Trust (Craig Shapiro)	2,662,376	2.0%

1. Assumes that no existing Director or other connected person applies for additional Shares under the Offer and all the Shares offered are sold in the Offer. Percentage shown is diluted for the 2,713,022 Options on issue. If only the minimum Applications for 17,003,782 Shares are received, the interests, on a fully diluted basis, held by Gil Investment Company Pty Ltd, Gutman Investment Partners Pty Ltd and Szekely Super Fund will be 42.3%, 18.1% and 14.5% respectively and the interest held by Design Management Investment Pty Ltd ATF Craca Unit Trust will remain at 2.0%.
2. Includes 5,325,408 Shares held by Bellite Pty Ltd ACN 056 441 386, a company controlled by Les Szekely.

What related party transactions exist?

Les Szekely, a non-executive Director, 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 Les Szekely. 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.

In addition, as is common in fund management businesses, the executive management team invests in the products managed by them. Consequently, the executive Directors may derive benefits from those investments in exactly the same manner as all other Clients who have invested in those products.

In January 2014, the Microequities Board formally ratified specific Management Fee and Performance Fee arrangements which were in place with entities associated with the then sole three shareholders (being Carlos Gil, Sam Gutman and Les Szekely). These fee arrangements specifically covered a number of Microequities' Close-ended Funds in existence at the time and did not extend beyond those specific Funds. The arrangements are ongoing and involve rebating any fees payable by the entities associated with the sole three shareholders relating to their investment in those Close-ended Funds.

I INVESTMENT OVERVIEW

1.8 KEY TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Offer?	<p>The Offer is for 23,726,865 Shares.</p> <p>The Offer Price is \$0.80 per Share.</p> <p>All Shares offered pursuant to this Prospectus rank equally with all Existing Shares. A summary of the rights attaching to the Shares is set out in Section 10.6.</p>	Section 7.1
How is the Offer structured?	<p>The Offer consists of:</p> <ul style="list-style-type: none"> • the General Offer which is open to the public; and • the Priority Offer which is available to current Clients or Wholesale and Sophisticated Investors who have submitted an application to Microequities to become Clients together with cleared funds for their investment in the qualifying Funds (being DVF, HIMF, GVMF and PMVF) by 18 April 2018. 	Section 7.1
Minimum Applications for Shares	<p>The Offer is conditional upon Applications being received for a minimum 17,003,782 Shares to allow the Company to achieve the requisite Free Float requirement under the ASX Listing Rules. If Applications for less than that number of Shares are received within 4 months after the date of this Prospectus (or any longer period permitted by law) then the Offer will not proceed and all Application Monies will be returned to Applicants (without interest) in accordance with the Corporations Act.</p>	Section 7.3
Will I be guaranteed a minimum allocation under the Offer?	<p>Applicants under the Priority Offer will be guaranteed an allocation of Shares under the Offer. The number of Shares allocated will depend on the total number of Applicants under the Priority Offer and the total number of Shares applied for under the Offer.</p>	Section 7.9
Who is entitled to participate in the Offer?	<p>The Offer is open to Share Investors in Australia.</p> <p>The Offer is generally not available to Share Investors outside Australia.</p>	Section 7.1
What are the terms of the Shares offered under the Offer?	<p>A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in Section 10.6.</p>	Section 10.6
What is the proposed use of funds raised under the Offer?	<p>Microequities is not Listing for capital raising purposes. The Offer is to facilitate the ASX Free Float and shareholder spread requirements for Listing. The proceeds of the Offer (other than proceeds from the issue of one Share by Microequities) will go to the Selling Shareholders for the sale of their Shares.</p>	Section 7.3

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I INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Will the Shares be quoted on the ASX?	Microequities has applied to the ASX within seven days of the Original Prospectus Date for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "MAM"). It is expected that quotation will be on a normal settlement basis. Completion of the Offer is conditional on ASX providing in-principle approval for Microequities' admission and quotation. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.12
Is there a minimum Application amount under the Offer?	The minimum Application under the Offer is \$5,000 worth of Shares at the Offer Price.	
Is the Offer underwritten?	The Offer is not underwritten.	
What is the allocation policy?	The allocation of Shares will be determined by Microequities in its absolute discretion. Details of the allocation policy are set out in Section 7.9.	Section 7.9
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.	
What are the tax implications of making an investment?	The tax consequences of an investment in the Shares will depend upon a Share Investor's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest.	Section 10.9
How can I apply?	Share Investors may apply for Shares by completing a valid electronic Application Form accompanying this Prospectus at http://microequities.com.au/IPO .	Sections 7.7 and 7.8
When will I know if my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around 24 April 2018.	Section 7.12
Can the Offer be withdrawn?	Microequities reserves the right not to proceed with the Offer (or any part of it) at any time before the issue or transfer of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded in accordance with the Corporations Act. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Sections 7.8 and 7.10

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2

INDUSTRY OVERVIEW

2 INDUSTRY OVERVIEW

2.1 INTRODUCTION

Microequities operates in the Australian managed funds industry, which offers a broad range of products and services for the accumulation and management of personal wealth. The industry is composed mainly of superannuation based and non-superannuation based managed funds, life insurance corporations, unit trusts and funds managed by professional service firms (**Fund Managers**). The funds are spread across a range of investment asset classes, including but not limited to Australian and international equities, bonds, property and commodities.

2.2 OVERVIEW OF THE WEALTH MANAGEMENT INDUSTRY

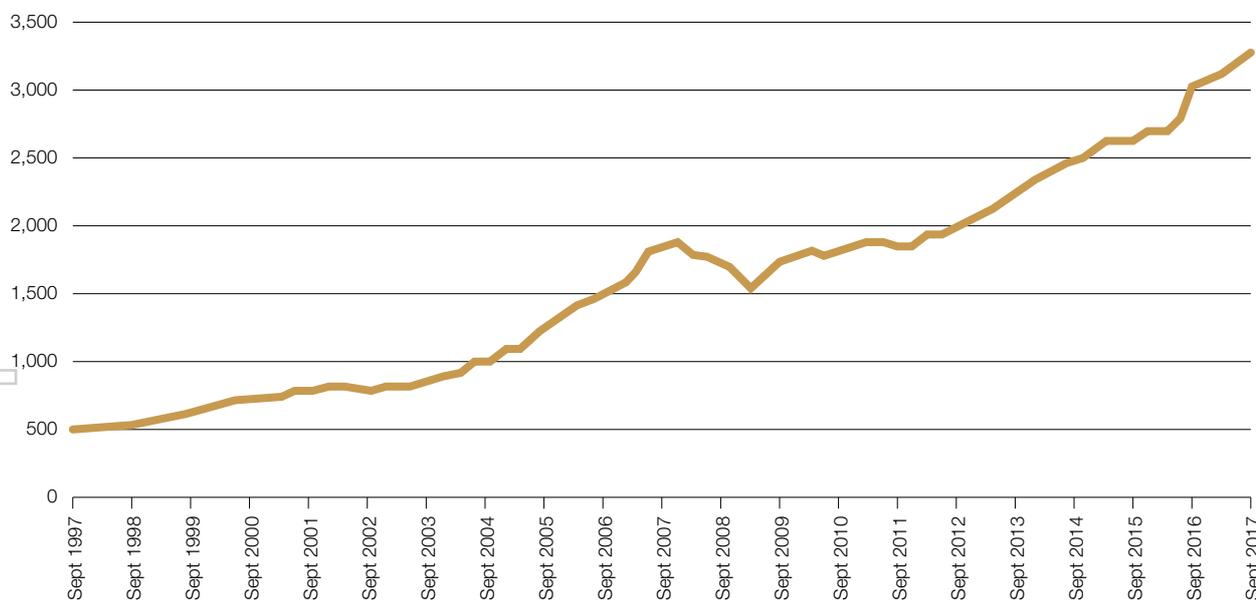
The Australian wealth management industry is made up of the superannuation sector and the non-superannuation sector. Traditionally, managed funds, similar to managed funds offered by Microequities, have been a key component in both sub-sectors. The Australian managed funds industry is one of the largest in the world which has grown from less

than \$1.85 trillion in September 2007 to more than \$3.2 trillion in assets at 30 September 2017¹. This makes Australia the sixth largest market globally for managed funds². A significant driver of this growth has been the superannuation sector. Other factors include long-term strong investment returns in equity markets, new and evolving managed fund products and a growing and ageing population.

2.3 THE IMPORTANCE OF THE SUPERANNUATION INDUSTRY

Total superannuation industry assets in Australia were over \$2.5 trillion as at 30 September 2017³. Growth in superannuation assets has been underpinned by Australian Government policy. The superannuation guarantee scheme, introduced in 1992, currently requires employers to pay a minimum of 9.5% of an employee's salary into a superannuation account. This rate is scheduled to increase progressively to 12.0% by 2025⁴. Taxation and other incentives have been brought into effect since 1992 to further encourage individuals to add to their savings in superannuation, providing additional growth.

MANAGED FUNDS IN AUSTRALIA, TOTAL ASSETS \$BILLION¹



1. Australian Bureau of Statistics 'Managed Funds, Australia' (September 2017; Catalogue Number 5655.0).
2. Austrade 'Why Australia' Benchmark Report 2017.
3. Association of Superannuation Funds of Australia (ASFA) Superannuation Statistics (December 2017).
4. Australian Taxation Office, Super guarantee percentage, last modified 12 Jan 2018 <https://www.ato.gov.au/Rates/key-superannuation-rates-and-thresholds/?page=23>

2 INDUSTRY OVERVIEW

SELF-MANAGED SUPERANNUATION FUNDS (SMSFs)

A significant part of Microequities' client base is SMSF investors. As of 31 December 2017, SMSF investors made up 47% of all Microequities' Investors.

The number of SMSFs in Australia has grown by approximately 87% from 309,088 to 577,236 in the ten years from June 2006 to June 2016 and total assets in SMSFs has grown by approximately 206% from \$203.1 billion to \$621.7 billion during that period^{5, 6}. This growth has been driven by a number of factors including taxation incentives, superannuation investors' desire to have greater control over how their funds are invested and potentially lower fees, especially for those SMSFs with larger balances. Many SMSF trustees want greater control of the investment options but often do not have the necessary skills, time or resources to invest in shares and other securities directly and consequently seek to outsource this to a specialist external Fund Manager such as Microequities.

2.4 COMPETITION

The Australian managed funds industry is highly competitive and relatively fragmented. The industry is composed of Fund Managers that operate either as a diversified financial services business (such as AMP Ltd and Colonial First State) or as a pure Fund Manager (such as Magellan Financial Group, K2 Asset Management, Pengana Capital Group and Microequities). Pure Fund Managers can also be classified into boutique Fund Managers typically managing between \$100 million and \$2 billion and larger Fund Managers managing more than \$10 billion.

Boutique Fund Managers are typically specialised with distinct investment strategies and differentiated product offerings. Microequities would classify itself as a boutique Fund Manager that specialises and operates in the Microcap and Smallcap asset class, generally being companies listed on a stock exchange with a market capitalisation of less than \$300 million (Microcap) and \$2 billion (Smallcap).

Boutique Fund Managers that have similar investment strategies to Microequities or invest in small capitalisation companies include K2 Asset Management, Acorn Capital, Contango Asset Management and Smallco Investment Manager Limited.

Microequities differentiates itself within the competitive funds management industry by positioning itself as a Microcap and Smallcap specialist Fund Manager. Microequities' long term Value Based Investment Doctrine provides investors with a differentiated investment strategy that combines value and growth.

2.5 REGULATORY ENVIRONMENT

The Australian funds management industry is primarily regulated by ASIC and the Australian Prudential Regulation Authority (APRA).

ASIC was established by the Commonwealth to regulate Australian corporations, the Australian financial services industry (including managed funds) and Australian financial markets. ASIC is responsible for ensuring that participants in the industry comply with relevant legislative requirements, including operational, disclosure and reporting requirements. Part of ASIC's mandate is to protect consumers. A financial services licence (AFSL) must be obtained from ASIC to operate a registered scheme (e.g. a unit trust offered to the public) in Australia. Microequities has the requisite AFSL to manage funds for Wholesale and Sophisticated Investors and is subject to the regulation of ASIC.

APRA is the prudential regulator of the Australian financial services industry. APRA establishes and enforces prudential standards and practices designed to ensure that entities that it regulates operate fairly and within a stable, efficient and competitive financial system. Its authority, however, is limited to banking and credit institutions, insurance providers and regulated superannuation funds (except those under the supervision of the ATO). Microequities does not carry out such business activities and does not offer regulated superannuation products. Microequities is not subject to direct APRA regulation.

5. Australian Taxation Office, Self-manage super fund statistical report – June 2012, last modified 05 March 2013
https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/super-statistics/smsf/self-managed-super-fund-statistical-report---june-2012/?page=2#Asset_allocation_tables__m_
6. Australian Taxation Office, Self-manage super funds: A statistical overview 2014-2015, last modified 20 December 2016
https://www.ato.gov.au/About-ATO/Research-and-statistics/in-detail/Super-statistics/SMSF/Self-managed-superannuation-funds--A-statistical-overview-2014-2015/?page=10#Table_1__Yearly_SMSF_population_and_asset_size

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BUSINESS OVERVIEW

3 BUSINESS OVERVIEW

3.1 INTRODUCTION

Microequities is a specialist Microcap and Smallcap Fund Manager that invests using a Value Based Investment Doctrine.

Microequities commenced operations in 2006. The business was established by Carlos Gil, the current Chief Executive Officer and Chief Investment Officer. In the first years of its operation, the Company provided specialist investment research on selected small capitalisation companies listed on the ASX. The clients of the business at that time were Microcap companies (currently defined as companies with a market capitalisation of less than \$300 million) who requested research coverage as well as retail investors purchasing research reports online.

Leveraging off the research skills developed, in 2008, the Company extended the scope of its AFSL to incorporate fund management activities and in March 2009, it launched its first Open-ended Fund, the Deep Value Fund (**DVF**). The Deep Value Fund's investment focus was to invest in profitable, growing and undervalued Microcap companies listed on the ASX. A number of companies in the DVF have grown substantially since DVF's investment, and hence have become Smallcaps. As such, the DVF now invests in Microcaps and Smallcaps. The strong investment returns that the DVF has generated since its establishment has helped the Microequities business grow and expand its product portfolio.

In March 2012, Microequities launched its second Open-ended Fund, the High Income Value Microcap Fund (**HIMF**), which has a similar focus to the DVF, being investment in Australian Microcap companies listed on the ASX. The key difference of this Fund compared to the DVF is that it invests in strong cash flow generating businesses and, as a result, the Fund aims to deliver semi-annual cash distributions to investors, whilst also generating capital growth.

In early 2014, Microequities raised capital from a number of investors in the DVF and HIMF. The objective of the raising was to expand the Company's shareholder base in preparation for an eventual ASX listing and to also create a broader network of active advocates and referrers of Microequities' products that would help to accelerate the growth trajectory of the business. The funds raised were intended to be used to augment marketing and business development activities as well as to maintain a capital reserve for potential investment opportunities. The capital raising implied a pre-raising valuation for Microequities of \$22 million. FUM at the time of the capital raising was approximately \$58 million.

In December 2015, Microequities launched the Global Value Microcap Fund (**GVMF**), which has an investment strategy focused on Microcap companies in advanced economies around the world.

The Pure Microcap Value Fund (**PMVF**) was launched in October 2017 with an exclusive focus on Australian Microcap companies.

Microequities has a range of Funds that cater to high net worth Wholesale and Sophisticated Investors that are seeking long term capital growth. The client base of Microequities has rapidly expanded, in recognition of its strong investment performance and specialised asset class expertise.

The core Microequities products are the four perpetual Open-ended Funds (being DVF, HIMF, GVMF and PMVF). The Open-ended Funds have monthly redemptions and applications and are generally always open for new applications. There is no limit to the number of units that can be issued in an Open-ended Fund and there is no end date for the Funds.

In addition, since 2009 Microequities has established a total of ten ancillary Close-ended Funds, three of which have already reached their end date. Close-ended Funds are generally established for specific purposes and to take advantage of unique investment opportunities that present themselves. Close-ended Funds generally only allow applications for units once, when the Fund is launched. They also do not generally offer redemptions and have a fixed end date, which may be extended or reduced by the Fund Manager.

In September 2016, Microequities raised approximately \$25 million from investors as initial capital for the Microequities Venture Capital Fund LP (**MVCF**). Microequities manages this Fund in partnership with EVP (as trustee for the EVP Trust), an experienced venture capital investor. The Fund is a Close-ended Fund that invests in early stage, unlisted venture capital opportunities.

Microequities also offers an Open-ended Emerging Companies Value Fund (**ECVF**) which is compliant with the emerging companies investment requirement of the Australian Government's Significant Investment Visa program.

3 BUSINESS OVERVIEW

A summary of Microequities products is set out in the table below, together with FUM as at 31 December 2017 and Fund performance from Inception to 31 December 2017 for its core products.

FUND	INVESTMENT STRATEGY	INCEPTION	FUM ¹ (A\$M)	PERFORMANCE SINCE INCEPTION ²	INDEX ³ PERFORMANCE	PERFORMANCE VERSUS INDEX
Deep Value Fund (DVF)	Australian Listed Microcaps and Smallcaps	March 2009	229	588.45%	187.69%	400.76%
High Income Value Microcap Fund (HIMF)	Australian listed Microcaps paying regular dividends	March 2012	56	110.51%	80.60%	29.91%
Global Value Microcap Fund (GVMF)	Microcap companies listed in advanced economies	December 2015	54	24.04%	29.25%	-5.21%
Pure Microcap Value Fund (PMVF) ⁴	Australian Listed Microcaps	October 2017	32			
Ancillary products ⁵	Close-ended Funds and ECVF	Various	71			
Total			442			

1. As at 31 December 2017.

2. Performance represents the total cumulative return of the relevant Fund since Inception to 31 December 2017 inclusive. Returns are calculated after all fees and expenses and reinvestment of distributions. Share Investors should be aware that past performance should not be relied upon as being indicative of future performance.

3. Indices refer to the S&P/ASX All Ordinaries Accumulation Index for the DVF and HIMF and the MSCI World Microcap Index (AUD) for the GVMF. These are indices which in Management's opinion most closely reflect the underlying investments of the relevant Fund and have been included for comparative purposes only.

4. As at the Prospectus Date, PMVF has been operating for approximately 6 months. Given its short operating history, the Directors believe the performance data for PMVF is not meaningful.

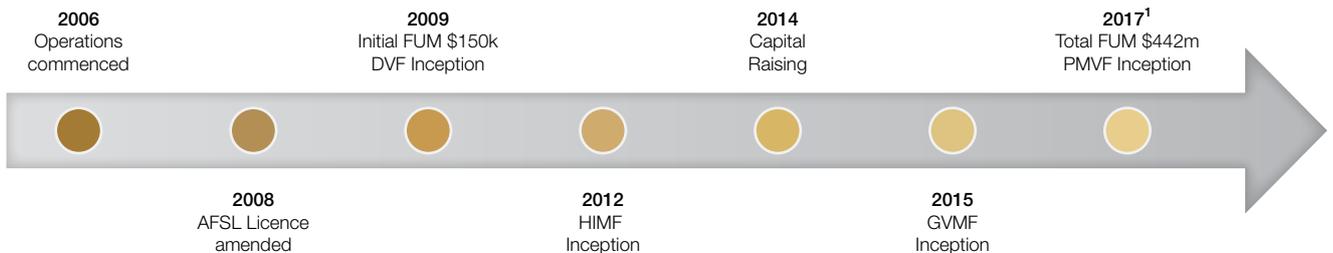
5. No performance data is shown for the ancillary Close-ended Funds or ECVF as none is individually significant in the context of Microequities' total FUM, representing only 16% of FUM in aggregate as at 31 December 2017.

Microequities has grown to now employ 13 personnel in investment management, business development, operations and marketing roles. Microequities operates from leased premises in the Sydney Central Business District.

3 BUSINESS OVERVIEW

3.2 MILESTONES

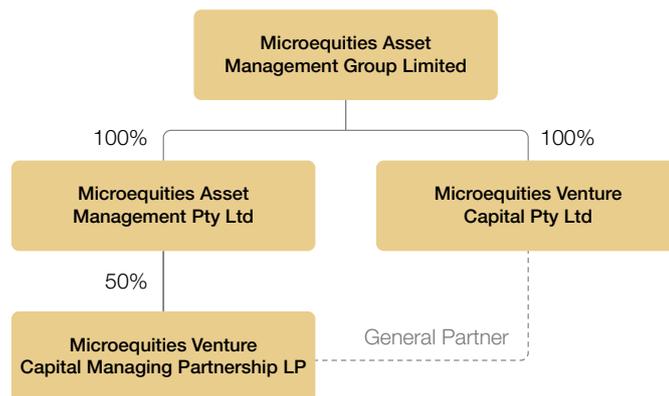
The diagram below sets out the key milestones in Microequities' history since operations commenced in 2006.



1. Total FUM as at 31 December 2017.

3.3 CORPORATE STRUCTURE

Set out below is the corporate structure of Microequities:



Details for each entity in the corporate structure are as follows:

- **Microequities Asset Management Group Limited:** the holding company of the Group and also holds the Group's treasury assets and the Group's AFSL.
- **Microequities Asset Management Pty Ltd:** investment manager and trustee of the Funds⁷ and a corporate authorised representative of Microequities. This entity receives Management and Administration Fees from the underlying Funds and Performance Fees based on underlying Fund performance.
- **Microequities Venture Capital Pty Ltd:** is the general partner (similar to a trustee role) of the managing partnership of the Microequities Venture Capital Fund LP and a corporate authorised representative of Microequities. It is also the trustee of the ESTP (see Section 10.4.2). Other than these roles, it has no other operations.
- **Microequities Venture Capital Managing Partnership LP:** is owned 50% by Microequities Asset Management Pty Ltd and 50% by EVP (as trustee for the EVP Trust). This entity is responsible for management and administration of the MVCF and is entitled to receive Management Fees and Performance Fees for management of the MVCF.

7. Microequities Asset Management Pty Ltd is not the trustee of MVCF.

3 BUSINESS OVERVIEW

3.4 THE COMPANY'S BUSINESS MODEL

Microequities only accepts investments from investors that are Wholesale and Sophisticated Investors.

Microequities' Clients are predominantly high net worth individuals, mainly investing either directly, through self-managed superannuation funds or family trusts. Though Microequities has existing relationships with various independent financial advisor groups, the majority of its Clients have joined the business directly and are predominately self-directed investors. This is an important qualitative difference to other Fund Managers, since Microequities has limited reliance on third party introducers for new business or a significant concentration of FUM from commercial relationships. The strong investment performance of Microequities has led to significant client advocacy. Thus, the business benefits from referrals from existing investors and boutique advisers as an important source of new Client introductions. There is also a lower concentration of Clients or relationships than would be the case using dealer groups and adviser groups as a distribution channel.

The business model is a "high touch" model, with a high service capability and delivery closely monitored by senior management. Every Client has a dedicated internal relationship manager who will handle any queries relating to their investments in the Funds. The business also employs technology that enables Clients to login to an interactive client portal, which allows the display of charts and reports on demand. Monthly reporting is provided to investors on the first business day of each month.

Microequities' business model revolves around all core business functions being undertaken in-house – including investment management (where only in-house, proprietary investment research is utilised), business development, marketing, client relationships, fund accounting and administration as well as marketing. No core services are outsourced.

Most of the marketing undertaken by Microequities is digital marketing. The Company uses a number of different digital publishers and platforms to promote and advertise its investment products. The Company has been rapidly expanding its Client base and as at 31 December 2017 it had 837 Clients. Additionally, the Company has a data base of email addresses and contact details, collected through various marketing initiatives. This provides a large base for distribution of Fund reports and new products.

The Listing is expected to broaden the awareness of the business within the investment community, which is partly aimed at raising the brand profile of Microequities which may indirectly result in additional FUM inflows.

Another important aspect of the business model is the fact that Shareholders and staff members, including the investment team, own over 20% of Microequities' FUM, ensuring alignment with Fund investors.

3.5 HOW MICROEQUITIES INVESTS

Microequities approaches investing in equities as being similar to entering into a business partnership and becoming part owners in the business. Microequities takes a long term, buy and hold approach to investment decisions, with some current shareholdings in a number of companies which have been held since Inception of the DVF in 2009. Microequities seeks to identify quality, profitable, undervalued companies with genuine long-term growth pathways run by competent and honest management teams.

Microequities does not have a view on market timing and does not attempt to predict where share prices may go over the short term. Over the long term, Microequities' management believes that, if the companies in which the Funds are invested grow their profitability and the investment is made at an exceptional price (i.e. deep value), the share price of these companies will appreciate over the medium to long term. Microequities only invests in companies and sectors in which the investment management team have a sound understanding and in which a valuation competency exists. As such, Microequities does not currently invest in sectors in which it has no such competencies such as: mining, oil and gas, biotech or real estate investment trusts.

3 BUSINESS OVERVIEW

Microequities' Funds are highly concentrated, with a targeted self-imposed limit of only 40 investments per Fund. Microequities' investment team works independently of any external investment research, with all investment research undertaken in-house. Investment decisions are reached by being detached from others views of the market, and a culture of autonomous critical thinking is internally promoted which may provide a unique insight into identifying value.

Microequities' management specialises in Microcaps and Smallcaps because it believes these companies generally grow faster than the broader market. Microequities' management believes that Microcaps are often under-researched, under-invested, and under-valued. Microcap and Smallcap companies are generally too small for large investment banks and Fund Managers to justify researching. Frequently, Microcap and Smallcap companies are not sufficiently researched, and some are not researched at all. Microequities' management believes that the lack of institutional following can lead to inefficient market pricing and undervalued companies.

In attempting to identify investments for the Funds, Microequities' investment management team apply the following criteria to companies being assessed:

- strong organic revenue and earnings growth potential;
- strong cash flows and capacity to internally fund their growth;
- honest and competent management;
- sustainable competitive advantages; and
- conservative balance sheets with low or no debt.

When a company is identified for possible investment based on the criteria above, the investment process involves:

- confirming investment pre-requisites – which are that the company has:
 - a minimum of two years of profitable operations; and
 - long term growth opportunities available,
- undertaking due diligence, which encompasses:
 - engaging with the company's senior management to assess competency and ethics;
 - valuation of the company using discounted cash flow analysis and relative valuation measures; and
 - engagement with industry insiders (Clients and competitors) to obtain insights into the company and management.

Microequities takes a long term view on each of its investments and often only sells a shareholding as a result of a takeover offer or a fundamental change occurring to a company (e.g. change in management, change in business environment etc.).

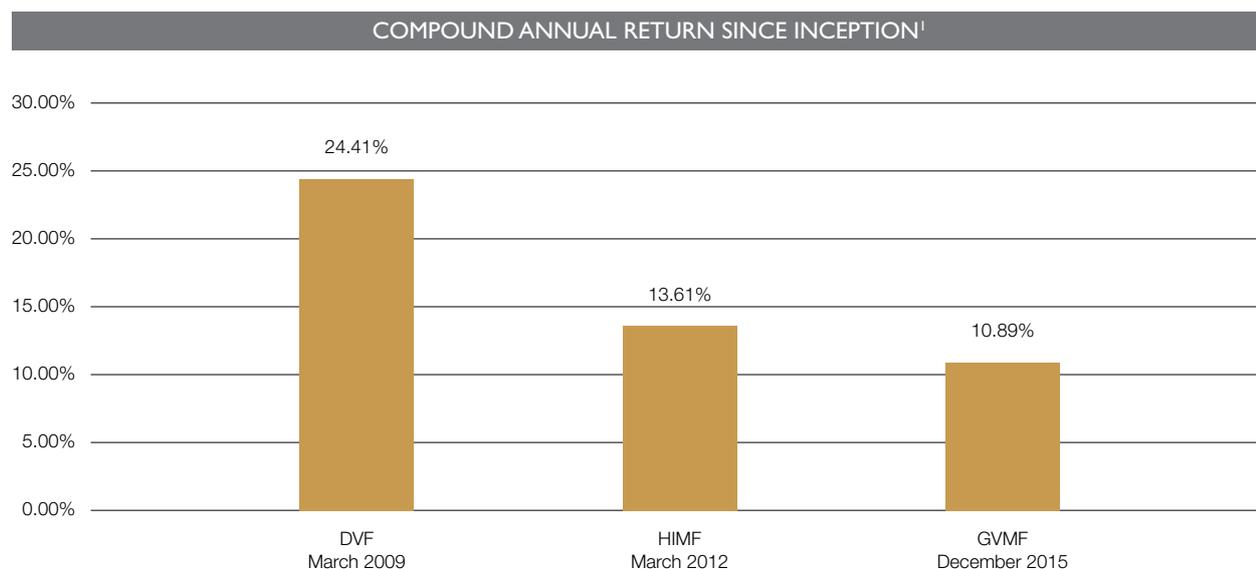
3.6 PRODUCTS AND UNDERLYING FUNDS

Microequities has a range of investment funds that provide its Clients with an array of alternative strategies, unified by a Value Based Investment Doctrine that serves to lower fundamental investment risks, whilst aiming to capture management's belief in the superior long term growth generated by Microcap and Smallcap companies. The combination of investing over the long term in growth engendering companies and a strict application of a Value Based Investment Doctrine differentiates Microequities from other competitors who mostly focus solely on the growth qualities of the asset classes.

Microequities Asset Management Pty Ltd is the investment manager of four perpetual, Open-ended Funds and seven other ancillary products. Microequities Venture Capital Pty Ltd manages MVCF. Each of the Funds invests only in long equities (i.e. no short selling is undertaken) and cash. No gearing or derivatives are utilised in any of the Funds. Each of the perpetual Open-ended Funds is "high conviction" with the top five holdings and the top 20 holdings in each of these Funds being between approximately 25% and 35% and 65% and 80% of FUM respectively as at 31 December 2017.

3 BUSINESS OVERVIEW

The performance of three of the four perpetual Open-ended Funds (excluding the PMVF which has only been in operation since October 2017) from Inception to 31 December 2017 is set out below. The four perpetual Open-ended Funds represented approximately 84% of FUM as at 31 December 2017 and are the current principal sources of new FUM growth for Microequities.



1. Returns are compound annualised rates of return net of all fees and expenses and reinvestment of distributions from Inception of each Fund to 31 December 2017 inclusive. The performance of DVF and HIMF compares against a performance of 12.71% and 10.66% for the S&P/ASX All Ordinaries Accumulation Index over the same respective periods. The performance of GVMF compares against a performance of 13.11% for the MSCI World Microcap Index (AUD) over the same respective period. Returns for the PMVF are not included above given the short period that has elapsed since the Fund's Inception in October 2017.
2. The indices noted above are the indices which in Management's opinion most closely reflect the underlying investments of the relevant Fund and have been included for comparative purposes only.
3. Share Investors should be aware that past performance should not be relied upon as being indicative of future performance.

The table below sets out key characteristics of each of the four perpetual Open-ended Funds:

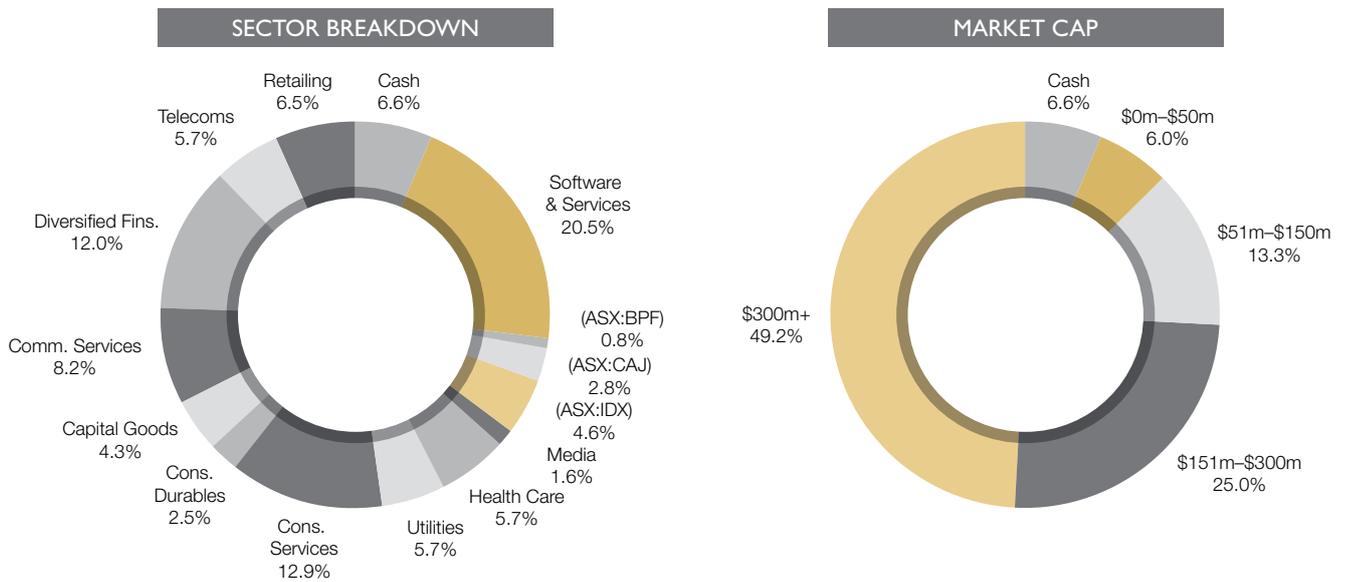
FUND	INVESTMENT STRATEGY	MINIMUM INVESTMENT	CASH OR REINVESTMENT OF DISTRIBUTIONS	DISTRIBUTIONS	RECOMMENDED INVESTMENT TERM (YEARS)
Deep Value Fund	Australian Listed Microcaps and Smallcaps	\$100,000	Reinvestment	Yearly (June)	5+ Years
High Income Value Microcap Fund	Australian listed Microcaps paying regular dividends	\$50,000	Cash or Reinvestment	Twice per year (July and January)	5+ Years
Global Value Microcap Fund	Microcap companies listed in advanced economies	\$100,000	Reinvestment	Yearly (June)	5+ Years
Pure Microcap Value Fund	Australian Listed Microcaps	\$200,000	Reinvestment	Yearly (June)	5+ Years

3 BUSINESS OVERVIEW

3.6.1 DEEP VALUE FUND (DVF)

The Deep Value Fund invests in profitable, growing and undervalued Microcap and Smallcap companies listed on the ASX. The fund is highly concentrated, with investments in 38 companies as at 31 December 2017. The top five investments comprised approximately 31% of the Fund.

The sector breakdown and market capitalisation of the underlying investments of the DVF as at 31 December 2017 are set out below:



The minimum investment in the DVF is \$100,000 and the DVF pays annual distributions *in specie* (although Microequities may choose at times to pay these distributions in cash at its discretion).

The DVF was opened on 6 March 2009 and has grown to \$229 million of FUM as at 31 December 2017.

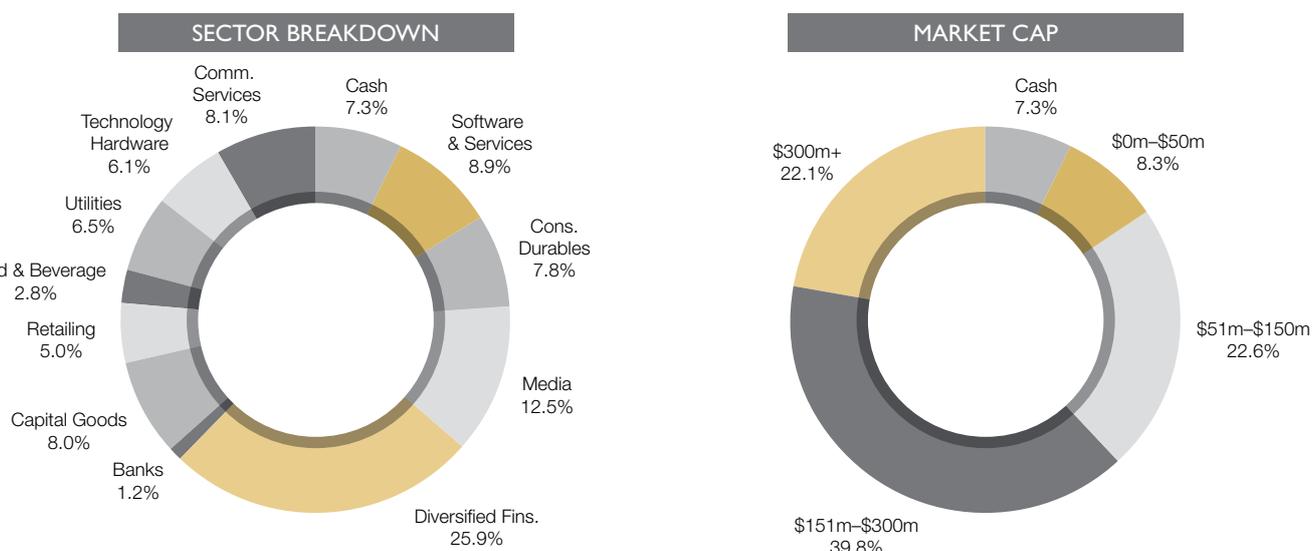
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3 BUSINESS OVERVIEW

3.6.2 HIGH INCOME VALUE MICROCAP FUND (HIMF)

The High Income Value Microcap Fund invests in undervalued Australian listed Microcaps that are profitable and pay regular high dividends. The HIMF is highly concentrated, with investments in 35 companies as at 31 December 2017. The top five investments comprised approximately 30% of the Fund.

The sector breakdown and market capitalisation of the underlying investments of the HIMF as at 31 December 2017 are set out below:



The minimum investment in the HIMF is \$50,000 and the HIMF pays semi-annual distributions in cash although investors can request that distributions be reinvested in fund units.

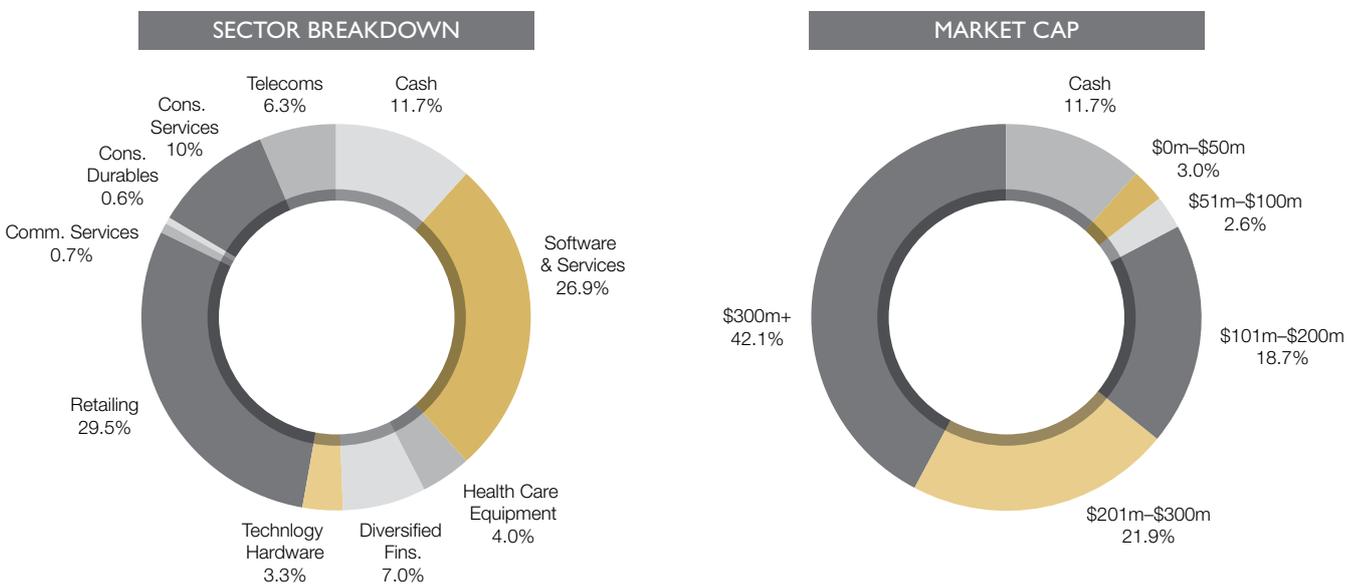
The HIMF was opened on 1 March 2012 and has grown to \$56 million of FUM as at 31 December 2017.

3 BUSINESS OVERVIEW

3.6.3 GLOBAL VALUE MICROCAP FUND (GVMF)

The Global Value Microcap Fund invests in a selection of undervalued, profitable and growing companies listed in predominantly advanced economies around the world. The GVMF is highly concentrated, with investments in 39 companies as at 31 December 2017. As at 31 December 2017, 35% of the GVMF was invested in companies in the UK, 22% of the Fund in the US, 17% of the Fund in Continental Europe with the remainder of the GVMF invested in Australian, New Zealand and Canadian companies. The top five investments comprised approximately 26% of the Fund.

The sector breakdown and market capitalisation of the underlying investments of the GVMF as at 31 December 2017 are set out below:



The minimum investment in the GVMF is \$100,000 and the GVMF pays annual distributions *in specie* (although Microequities may choose at times to pay these distributions in cash at its discretion).

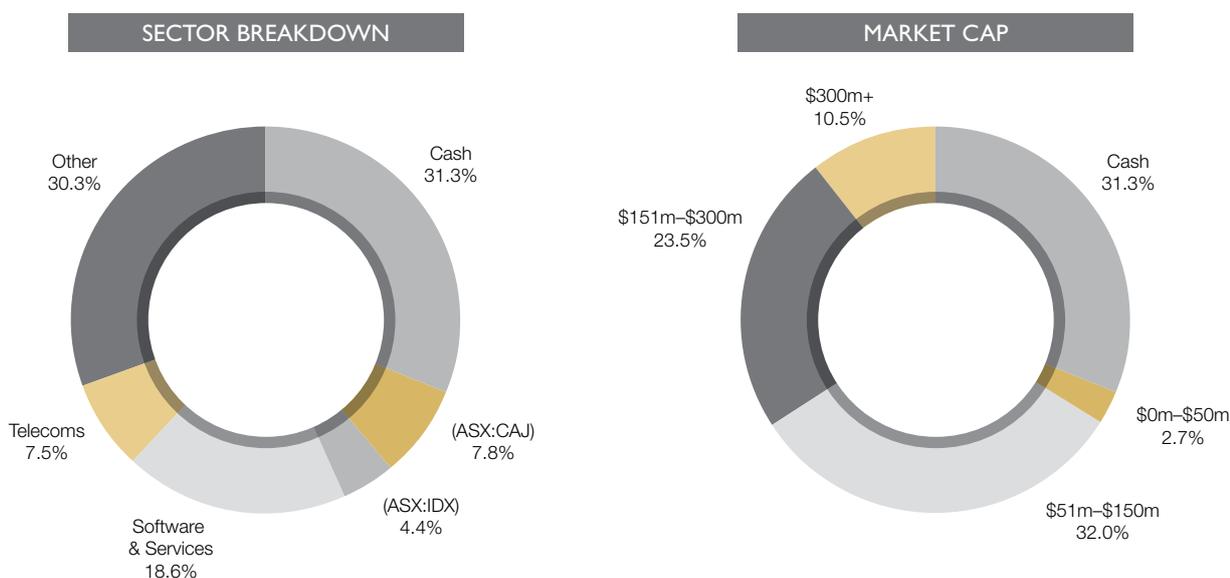
The GVMF was opened on 1 December 2015 and has grown to \$54 million of FUM as at 31 December 2017.

3 BUSINESS OVERVIEW

3.6.4 PURE MICROCAP VALUE FUND (PMVF)

The Pure Microcap Value Fund invests exclusively in Australian listed Microcap companies with a market capitalisation of less than \$300 million at the time of the initial investment. The PMVF is highly concentrated, with investments in 23 companies as at 31 December 2017. The top five investments comprised approximately 31% of the Fund.

The sector breakdown and market capitalisation of the underlying investments of the PMVF as at 31 December 2017 are set out below:



The minimum investment in the PMVF is \$200,000 and the PMVF pays annual distributions *in specie* (although Microequities may choose at times to pay these distributions in cash at its discretion).

The PMVF was launched in October 2017 with a limited initial capital raising of \$30 million which closed oversubscribed. The PMVF has grown to \$32 million of FUM as at 31 December 2017. The relatively high percentage cash holding of the PMVF is a result of the PMVF being in the deployment phase of the initial funds raised on launch in October 2017.

3.6.5 ANCILLARY PRODUCTS

In addition to its core Open-ended Funds (being DVF, HIMF, GVMF and PMVF), Microequities also manages a number of special purpose Close-ended Funds and an ancillary Open-ended Fund.

Since 2009, Microequities has established a total of eight Close-ended Funds, to make investments in one or two specific listed Microcaps / Smallcaps where a specific investment opportunity has been identified and the Open-ended Funds have already fulfilled their appropriate risk weighted allocation to this investment. As at 31 December 2017, five of these Close-ended Funds were still operating.

Microequities has also established two Close-ended Funds to invest in unlisted, early stage businesses, one with a single investment (the Microequities EC1 Fund) and one to invest in multiple investments (the MVCF).

Microequities also operates the Open-ended Emerging Companies Value Fund (**ECVF**) which invests in a portfolio of undervalued, profitable and growing ASX listed smaller companies. The ECVF is compliant with the emerging companies investment requirements of the Australian Government's Significant Investment Visa Program.

These ancillary products have FUM representing approximately 16% of Microequities' total FUM as at 31 December 2017.

3 BUSINESS OVERVIEW

3.6.6 MICROEQUITIES VENTURE CAPITAL FUND LP (MVCF)

In September 2016 Microequities established the Microequities Venture Capital Fund LP, raising \$25 million to invest in disruptive early stage businesses that utilise technology to provide exceptional potential for revenue growth.

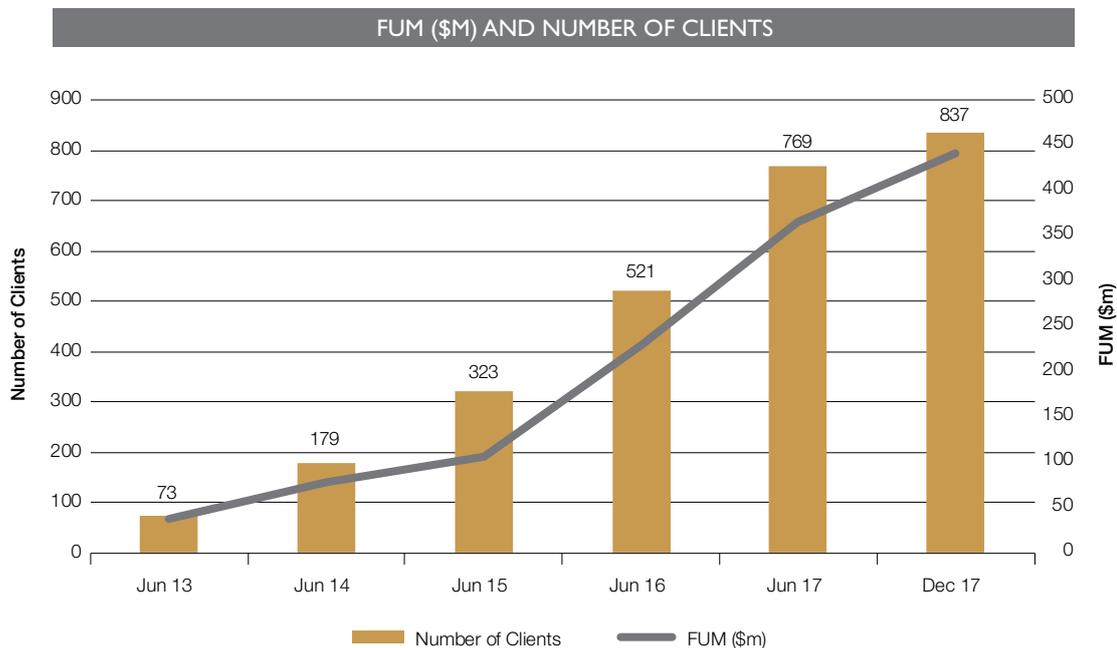
The MVCF is a limited liability partnership which is registered as an Early Stage Venture Capital Limited Partnership. Accordingly, investors in the MVCF receive a tax offset of up to 10% of contributed capital when the MVCF makes eligible investments. No Australian tax is payable by investors on their share of returns (capital or income) when the MVCF disposes of an eligible investment.

Microequities Asset Management Pty Ltd and EVP (as trustee for the EVP Trust) share all Management Fees from the MVCF equally. Performance Fees from the MVCF are shared in a ratio determined by the performance of the MVCF. See Section 9.1.2 for additional detail on the Performance Fee arrangements for the MVCF.

EVP is a specialist start-up investment and advisory firm, of which Les Szekely, a non-executive director of Microequities, is a principal. Its principals have served as longstanding advisers to a range of successful technology companies and have strong track records of investing in the sector. Carlos Gil is a member of the investment committee of the MVCF, representing Microequities' interests.

3.7 FUNDS UNDER MANAGEMENT AND CLIENT NUMBERS

The diagram below illustrates the growth in Microequities' total FUM and the number of Clients in the Funds it manages since June 2013:



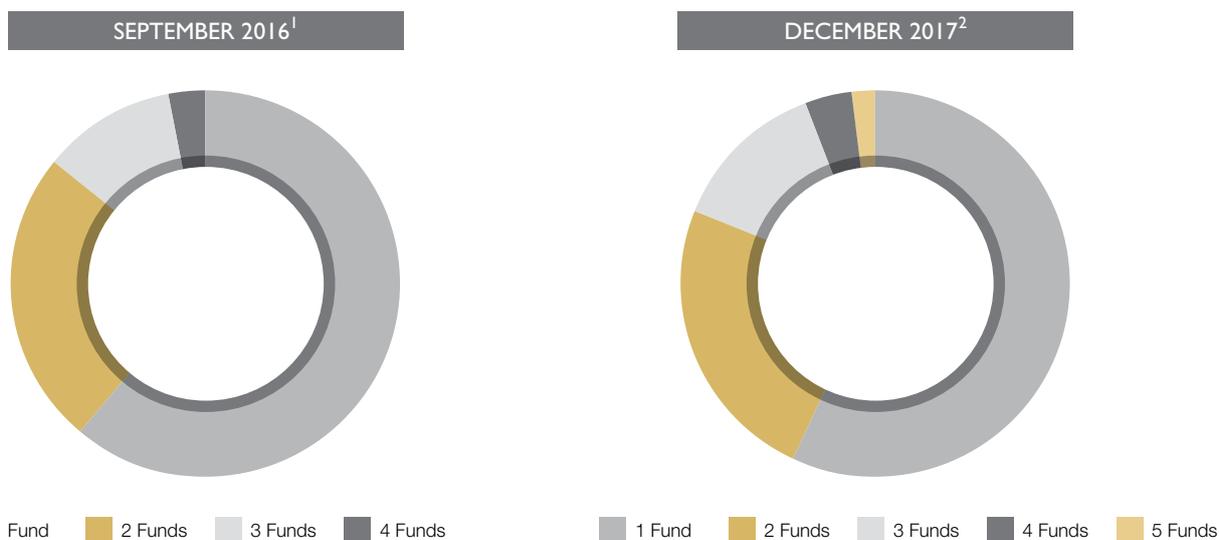
The compound annual growth in both FUM and the number of Clients in the Funds between 30 June 2013 and 31 December 2017 has been 72%. The growth in FUM since 2013 has been driven by strong inflow of funds from new Clients and existing Clients increasing their investments in Funds, combined with strong performance from funds invested.

Microequities has increased the number of relationship managers (from two as at December 2016 to four as at 31 December 2017 which has assisted in generating new FUM inflow). A digital marketer was hired in September 2017 which is expected to assist in growing FUM in future.

3 BUSINESS OVERVIEW

As Microequities has launched new products, it has attracted FUM from new and existing Clients to the new products – Microequities has evolved from being the manager of a single Fund when it launched the DVF, to being a broader based Fund Manager with a differentiated suite of Microcap and Smallcap investment products (e.g. high income, global shares, pure Microcap etc.).

The evolution of Microequities has resulted in the number of Clients holding an interest in more than one Fund increasing from 38.7% in September 2016 to 42.8% in December 2017 as illustrated below.



1. The four Funds as at September 2016 were three perpetual Open-ended Funds (being DVF, HIMF and GVMF) and MVCF.
2. The five Funds as at December 2017 were the four perpetual Open-ended Funds (being DVF, HIMF, GVMF and PMVF) and MVCF.

The average number of Funds per Client (for the Funds as set out in the pie chart above) has increased from 1.5 in September 2016 to 1.7 in December 2017. This has strengthened the relationship between Microequities and its Client base.

3 BUSINESS OVERVIEW

3.8 REVENUE AND FEES GENERATED FROM FUNDS

Microequities through its subsidiary, Microequities Asset Management Pty Ltd, generates revenue from the Funds from the following main sources (all fees are quoted exclusive of GST).

3.8.1 MANAGEMENT FEES AND ADMINISTRATION FEES

The Manager is entitled to Management Fees ranging from 0.6% per annum for single asset Close-ended Funds to 1.8% per annum for certain Open-ended Funds. Management Fees are generally calculated by applying the relevant fee percentage for the Fund to the NAV of the Fund (effectively FUM less Fund liabilities). The relevant Management Fees are calculated and paid to the Manager monthly for Open-ended Funds and semi-annually for most Close-ended Funds. Management Fees for MVCF are an exception to the above as they are calculated based on net committed capital (that is, not based on the marked to market value of the underlying investments) and are invoiced and paid monthly.

Accordingly, the level of Management Fees generated has a direct correlation with FUM. Future FUM will be determined by a combination of inflow of new funds from new investors; existing investors increasing their investments in Funds; and the investment performance of the Funds invested, net of any distributions and redemptions from Funds.

The Manager is entitled to be paid Administration Fees on Open-ended Funds out of each Fund's assets for expenses properly incurred in operating the Fund (together with any GST on such expenses). Such expenses include registry fees, legal expenses and stationery, postage, insurance and compliance costs. The Manager has set a maximum that these fees should not exceed 0.20% per annum of the NAV of each Fund. Administration Fees are calculated and paid to Microequities monthly. Administration Fees are not paid by any of the Close-ended Funds.

3.8.2 PERFORMANCE FEES

The Manager charges Performance Fees which are calculated and paid on a monthly basis for the Open-ended Funds, dependent on the return achieved by the Funds. For Close-ended Funds, Performance Fees are only earned when distributions to investors are made. The Performance Fee will only be payable if the Funds meet the established performance hurdles set. Further detail relating to the Performance Fees is included in Section 4.3.3.3.

3.9 INVESTMENT MANAGEMENT TEAM

The Board delegates all investment decisions with respect to the Funds to the investment management team. The Microequities investment management team is comprised of four professionals. The team works across and has input to the investment decisions over all of the Funds. The investment team collectively holds approximately 74% of the Shares (pre-Listing, which will reduce to 59% post-Listing) and has considerable investments in the Funds.

Details of the investment management team are:

- **Carlos Gil:** Chief Executive Officer and Chief Investment Officer – see Section 6.1 for details of Mr Gil's experience. Mr Gil has been employed by Microequities since operations commenced in 2006.
- **Sam Gutman:** Executive Director and Company Secretary – see Section 6.1 for details of Mr Gutman's experience. Mr Gutman has been employed by Microequities since 2008.
- **Shuo Yang:** Portfolio Manager – Mr Yang undertakes research whilst also making investment decisions on the group of Funds controlled by Microequities. Mr Yang holds a Bachelor of Commerce and Economics degree at the University of New South Wales and is a CFA Level II holder. Mr Yang has been employed by Microequities since 2011.
- **Declan McLenaghan:** Investment Analyst – Mr. McLenaghan provides research coverage on listed Australian Microcap companies. He previously worked as an analyst at Millinium Capital Managers, where he performed fundamental research on companies in the ASX 200. He has also worked for MF Holdings and Atlantic Pacific Securities. Mr McLenaghan holds a Bachelor of Business (Finance) from the University of Technology Sydney and has completed all three levels of the CFA Program. Mr McLenaghan has been employed by Microequities since January 2016.

3.10 MANAGING RISK

Microequities believes that an equity investment, irrespective of the ownership percentage stake, is tantamount to a business partnership and hence takes both a long-term view of its investments as well as a fundamental view of risk. Risk management of the investment portfolios is therefore centred on assessing and monitoring fundamental risks that could prejudice or adversely affect the ability of the investee companies to generate revenue, earnings and cash flow or maintain their competitive advantage.

3 BUSINESS OVERVIEW

3.10.1 INITIAL RISK ANALYSIS

In all of Microequities' Open-ended Funds, businesses yet to achieve operational profitability are filtered out and excluded from investment consideration. Operationally profitable businesses are analysed and their business model quality is evaluated with specific regards to; operating margins, client concentration, key commercial relationships, market structure, industry growth dynamics, competitive strengths, barriers to entry and competitive intensity. Key fundamental risks of the business are also identified and assessed.

The investment management team reviews the key executive team, board composition profile and experience. Financial due diligence includes assessing the quality of the balance sheet and financial leverage in the business, operating profit to cash flow conversion, working capital intensity of the business and overall quality of financial disclosure and key performance indicators.

An integral feature of Microequities' risk management is adhering to a value based investment doctrine whereby every business that is purchased has an intrinsic value as determined by the investment management team well in excess of its market value.

The divergence between the assessed intrinsic value and market value provides a significant pillar of risk mitigation.

3.10.2 RISK MONITORING AND MANAGEMENT

Companies that are selected for investment into the Open-ended Funds are weighted with regards to their risk / reward profile. The highest weighted companies are those that present the most compelling risk / reward metrics.

Whilst the Value Based Investment Doctrine takes a long-term business partnership approach to investment and capital deployment, each investee company is monitored with regards to the evolution of its business fundamentals and potential risk crystallisation events. Key events including; acquisitions, earnings announcement and key executive changes are monitored, and cross referenced to ensure that the premise of the original investment thesis still holds.

Additionally, intrinsic valuations are regularly monitored against market values to ensure that divergences between the two are not excessive and the Value Based Investment Doctrine of Microequities is upheld throughout its investments.

Operational underperformance is assessed in the context of long term investment horizons and specific analysis is undertaken to determine whether the causality of underperformance is of a transitory or systemic nature.

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4

FINANCIAL INFORMATION

4 FINANCIAL INFORMATION

4.1 INTRODUCTION

The “**Financial Information**” contained in this section comprises the:

- statutory historical consolidated statements of comprehensive income for the years ended 30 June 2016 (**FY16**), 30 June 2017 (**FY17**) and the six months ended 31 December 2016 (**1H17**) and 31 December 2017 (**1H18**) (together **Statutory Historical Results**);
- statutory historical consolidated statements of cash flow for FY16, FY17, 1H17 and 1H18 (together **Statutory Historical Cash Flows**); and
- statutory historical consolidated statement of financial position as at 31 December 2017 (**Statutory Historical Statement of Financial Position**),

(together, the **Statutory Historical Financial Information**), and

- pro forma historical consolidated statements of comprehensive income for FY16, FY17, 1H17 and 1H18 (**Pro Forma Historical Results**);
- pro forma historical statements of cash flows for FY16, FY17, 1H17 and 1H18 (**Pro Forma Historical Cash Flows**); and
- pro forma historical statement of financial position as at 31 December 2017 (**Pro Forma Historical Statement of Financial Position**),

(together, the **Pro Forma Historical Financial Information**).

The directors of Microequities have not included any prospective financial information in this Prospectus because they are of the view that there are no reasonable grounds for the inclusion of such forecast information, given the uncertainty regarding the quantum or timing of receipt of future Performance Fees.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- information regarding certain non AAS or IFRS financial measures (refer to Section 4.2.3);
- summary of key pro forma operating metrics (refer to Section 4.3.2);

- the pro forma adjustments to the Statutory Historical Financial Information (refer to Sections 4.3.4, 4.4.2 and 4.5.1);
- details of Microequities’ non-operating assets and cash and cash equivalents (refer to Sections 4.5.2 and 4.5.4) respectively;
- information regarding Microequities’ liquidity and capital resources (refer to Section 4.6); and
- details of Microequities’ proposed dividend policy (refer to Section 4.10).

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 OVERVIEW

The Directors are responsible for the preparation of the Financial Information.

The statutory consolidated historical financial statements of Microequities for FY16 and FY17 have been audited by Prosperity and were prepared as special purpose financial reports. The consolidated historical financial statements of Microequities for 1H17 and 1H18 have been reviewed by Prosperity and were prepared as general purpose financial statements. The measurement and recognition criteria of the special purpose financial statements comply with that of general purpose financial statements.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

Microequities operates on a financial year end of 30 June. All amounts disclosed in this Section 4 are presented in Australian Dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

4 FINANCIAL INFORMATION

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS, IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Section 13 of this Prospectus.

The Financial Information has been reviewed and reported on by BDO as set out in the Investigating Accountant's Report set out in Section 8. Share Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 8).

4.2.2 PREPARATION OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Statutory Historical Financial Information has been extracted from the audited statutory consolidated financial statements of Microequities for FY16 and FY17 and the reviewed 1H17 and 1H18 statutory consolidated financial statements of Microequities.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to reflect Microequities' operating and capital structure following the Offer, including listed company expenses.

The Pro Forma Historical Statement of Financial Position as at 31 December 2017 is based on the reviewed consolidated financial statements of Microequities at that date adjusted to reflect the impact of the listing and other material transactions post 31 December 2017 (refer to Section 4.5).

Refer to Section 4.3.4 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 4.4.2 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows and to Section 4.5 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

Share Investors should note that past results are not a guarantee of future performance.

4.2.3 EXPLANATION OF CERTAIN NON-IFRS FINANCIAL MEASURES

Microequities uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in Section 4, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **FUM** – Funds Under Management, which measures the total market value of all the financial assets which Microequities manages on behalf of the Funds.
- **Client Numbers** – The number of unique Clients that have an investment in any of the Funds
- **Underlying Operating Expenses to Recurring Revenue** – Operating expenses (adjusted for one-off items of expense) divided by recurring revenue from Management Fees and Administration Fees. The only adjustments made relate to the costs of relocation of Microequities' office, which were incurred in FY17, with a total cost of approximately \$74,000 (of which approximately \$38,000 was incurred in 1H17). In future reporting periods, it will also exclude any impact of employee long term incentive plans. Management uses this as a measure of the operating efficiency of the business.

Certain financial data included in other sections of this Prospectus is also non-IFRS financial information.

Although Microequities believes that these measures provide useful information about the financial performance of Microequities, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way Microequities calculated these measures may differ from similarly-titled measures used by other companies. Share Investors should therefore not place undue reliance on these non-IFRS financial measures.

4 FINANCIAL INFORMATION

4.3 STATUTORY HISTORICAL RESULTS AND PRO FORMA HISTORICAL RESULTS

4.3.1 OVERVIEW

Table 1 below sets out the Statutory Historical Results and Pro Forma Historical Results for FY16 and FY17.

\$'000	NOTES	STATUTORY HISTORICAL		PRO FORMA HISTORICAL	
		FY16	FY17	FY16	FY17
Revenue	1	2,497	5,059	2,488	5,056
Performance Fees	1	4,461	10,697	4,432	10,206
Investment income		1,065	(57)	1,065	(57)
Other income		343	433	343	433
Total income		8,367	16,132	8,329	15,637
Accounting & audit fees	2	(23)	(16)	(53)	(46)
Marketing expenses		(137)	(189)	(137)	(189)
Employee benefits expenses	2	(872)	(1,769)	(939)	(1,836)
Legal & professional fees		(37)	(16)	(37)	(16)
Rent		(73)	(193)	(73)	(193)
Other expenses	1,2	(345)	(978)	(429)	(605)
Total expenses		(1,487)	(3,161)	(1,669)	(2,885)
Profit before tax		6,880	12,971	6,660	12,752
Income tax expense		(2,013)	(3,476)	(1,947)	(3,415)
Net profit		4,866	9,495	4,713	9,336
Total comprehensive income attributable to:					
– Shareholders of Microequities		4,866	9,293	4,713	9,133
– Non-controlling interests	3	–	203	–	203

1. Related Party Management and Performance Fees – In January 2014, the Microequities Board formally ratified specific Management and Performance Fee arrangements which were in place with entities associated with the then sole three shareholders. These fee arrangements specifically covered a number of its Close-ended Funds in existence at the time and did not extend beyond those specific Funds. The arrangements involved rebating any fees payable by entities associated with the sole three shareholders in those Close-ended Funds. In the Statutory Historical Results for FY16 and FY17 amounts of approximately \$38,000 and \$495,000 respectively were rebated to these shareholders and accounted for as “Other Expenses”. For the purposes of the Pro Forma Historical Results for FY16 and FY17 these amounts have been reclassified and netted against the relevant revenue lines.
2. The Pro Forma Historical Results include expenses that have been adjusted to reflect costs that Microequities is likely to incur as a listed company. Microequities estimates it will incur approximately \$0.22 million in incremental annual expenses as a listed company. These expenses include incremental non-executive director remuneration, incremental audit and taxation services fees, additional accounting costs, annual listing fees, annual general meeting and annual report costs, additional directors and officer’s insurance premiums and share registry fees. The Pro Forma Historical Results include these listed company expenses as if Microequities was a listed company in each of the reporting periods.
3. For accounting purposes Microequities recognises 100% of the profit from the Microequities Venture Capital Managing Partnership LP in its net profit. “Non-controlling interests” represents the profit attributable to Microequities’ 50% partner in the Microequities Venture Capital Managing Partnership LP.

4 FINANCIAL INFORMATION

Table 2 below sets out the Statutory Historical Results and Pro Forma Historical Results for 1H17 and 1H18.

TABLE 2					
\$'000	NOTES	STATUTORY HISTORICAL		PRO FORMA HISTORICAL	
		1H17	1H18	1H17	1H18
Revenue	1	2,269	3,428	2,269	3,428
Performance Fees	1	7,213	1,982	7,213	1,982
Investment income		246	41	246	41
Other income		185	193	185	193
Total income		9,914	5,644	9,914	5,644
Accounting & audit fees	2	(8)	(11)	(19)	(21)
Marketing expenses		(90)	(139)	(90)	(139)
Employee benefits expenses	2	(806)	(1,021)	(840)	(1,055)
Legal & professional fees		(11)	(3)	(11)	(3)
Rent		(37)	(138)	(37)	(138)
Other expenses	2	(233)	(262)	(290)	(319)
Total expenses		(1,186)	(1,575)	(1,287)	(1,676)
Profit before tax		8,728	4,069	8,626	3,968
Income tax expense		(2,545)	(1,111)	(2,517)	(1,083)
Net profit		6,183	2,958	6,109	2,885
Total comprehensive income attributable to:					
– Shareholders of Microequities		6,114	2,820	6,040	2,747
– Non-controlling interests	3	69	138	69	138

1. Related Party Management and Performance Fees – In January 2014, the Microequities Board formally ratified specific Management and Performance Fee arrangements which were in place with entities associated with the then sole three shareholders. These fee arrangements specifically covered a number of its Close-ended Funds in existence at the time and did not extend beyond those specific Funds. The arrangements involved rebating any fees payable by entities associated with the sole three shareholders in those Close-ended Funds. In the Statutory Historical Results for 1H17 and 1H18 amounts of approximately \$494,000 and \$1,000 respectively were rebated to these shareholders and accounted for as a reduction in the relevant revenue line.
2. The Pro Forma Historical Results include expenses that have been adjusted to reflect costs that Microequities is likely to incur as a listed company. Microequities estimates it will incur approximately \$0.22m in incremental annual expenses as a listed company. These expenses include incremental non-executive director remuneration, incremental audit and taxation services fees, additional accounting costs, annual listing fees, annual general meeting and annual report costs, additional directors and officer's insurance premiums and share registry fees. The Pro Forma Historical Results include these listed company expenses as if Microequities was a listed company in each of the reporting periods.
3. For accounting purposes Microequities recognises 100% of the profit from the Microequities Venture Capital Managing Partnership LP in its net profit. "Non-controlling interests" represents the profit attributable to Microequities' 50% partner in the Microequities Venture Capital Managing Partnership LP.

For FY16, Microequities was subject to income tax at a rate of 30%, which reduced to 27.5% in FY17.

A reconciliation of Statutory Net Profit to Pro Forma Net Profit is set out in Table 4 below.

4 FINANCIAL INFORMATION

4.3.2 KEY OPERATING METRICS

Table 3 below sets out a summary of Microequities' key historical operating metrics for FY16, FY17, 1H17 and 1H18.

AS AT 30 JUNE / 31 DECEMBER	NOTES	FY16	FY17	1H17	1H18
FUM (\$m)		230	365	317	442
Client Numbers		521	769	659	837
Underlying operating expenses to recurring revenue	1	67%	56%	55%	49%

1. This ratio has been calculated by dividing operating expenses (as shown in the Pro Forma columns in Tables 1 and 2 above) less the non-recurring costs related to the relocation of Microequities' office, (approximately \$74,000 in FY17 of which approximately \$38,000 was incurred in 1H17) by recurring revenue ("Revenue" in the Pro Forma columns in Tables 1 and 2 above). In future reporting periods, it will also exclude any impact of employee long term incentive plans.

4.3.3 GENERAL FACTORS AFFECTING THE OPERATING RESULTS OF MICROEQUITIES

Below is a discussion of the main factors which affected Microequities' operations and relative historical financial performance in FY16, FY17, 1H17 and 1H18. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected Microequities' historical operating and financial performance.

4.3.3.1 INCOME

Microequities derives income from two primary sources: Revenue, which is recurring revenue from Management Fees and Administration Fees; and Performance Fees, which are derived based on the performance of each Fund on an individual Investor basis. Other income sources are investment income on treasury assets and miscellaneous other income.

4.3.3.2 REVENUE

Management Fees on the Open-ended Fund are calculated by applying the relevant fee percentage for the Fund to the NAV of the Fund at the end of each month (effectively FUM less Fund liabilities) and are calculated and paid to Microequities monthly.

Set out below are the Management Fees applicable to each of the core Funds. Fees shown are exclusive of GST.

	NOTES	MANAGEMENT FEE
Fund		% p.a
Deep Value Fund	1	1.64%
High Income Value Microcap Fund		1.00%
Global Value Microcap Fund		1.80%
Pure Microcap Value Fund		1.80%

1. The Management Fee for the Deep Value Fund is 1.8% including GST (i.e. 1.64% excluding GST).

4 FINANCIAL INFORMATION

Microequities' Management Fees on the Close-ended Funds range between 0.6% per annum and 1% per annum of FUM (excluding GST). Management Fees for MVCF are an exception to the above as they are calculated based on 2% of the net committed capital (that is not based on the marked to market value of the underlying investments), of which 50% is Microequities' share.

Microequities is entitled to be paid Administration Fees out of each of the Open-ended Fund's assets for expenses properly incurred in operating the Fund (together with any GST on such expenses). Such expenses include registry fees; legal expenses and stationery; postage; insurance and compliance costs. Microequities has agreed that these fees should not exceed a maximum of 0.20% (excluding GST) per annum of the NAV of each Fund. Administration Fees are not paid by any of the Close-ended Funds.

Microequities is not entitled to be reimbursed from any Fund for any expenses incurred that are directly attributable to Microequities' own business, such as overheads and internal salary expenses.

In the Statutory Historical Results, increases in Revenue are attributable to the increase in FUM over the Historical Periods.

Average monthly FUM in FY16 was approximately \$172 million, which had increased to \$318 million in FY17. A diagram illustrating the growth in FUM since 2013 is set out in Section 3.7.

Future FUM will be determined by a combination of inflow of funds from new Investors; existing Investors increasing their investments in any of the Funds; and the investment performance of the funds invested, net of any distributions and redemptions from Funds.

4.3.3.3 PERFORMANCE FEES

Microequities charges Performance Fees which are calculated and paid on a monthly basis for the Open-ended Funds, dependent on the return achieved by the Funds.

The table below sets out the Performance Fees that are applicable to each of the core Open-ended Funds. Fees shown are exclusive of GST.

FUND	NOTES	PERFORMANCE FEE CALCULATED ON	HURDLE	PERFORMANCE FEE %
Deep Value Fund Global Value Microcap Fund Pure Microcap Value Fund	1	The return achieved for the fund in excess of a fixed hurdle % per annum (calculated monthly) increase in the value of the fund's assets after management fees on a per unit basis.	5% p.a.	For DVF, 18.2%. For GVMF, PMVF and HIMF, 20% (net of management fees and administration costs, and before performance fees are deducted) subject to a High Water Mark.
High Income Value Microcap Fund	2	Net capital gains (both crystallised and uncrystallised), excluding dividend income paid or accrued	None	

1. The Deep Value Fund Performance Fee is 20% including GST (i.e. 18.2% excluding GST).
2. There is no hurdle for calculation of the Performance Fee on HIMF as dividend income is paid to unitholders in the HIMF with no Performance Fee deducted. Hence the Performance Fee for the HIMF is calculated only on net capital gains, unlike the other Open-ended Funds, where Performance Fees are also charged on dividend income.

4 FINANCIAL INFORMATION

A High Water Mark is a means of ensuring that previous negative performance must be recouped before a Performance Fee can be received by Microequities in regard to a Fund. The High Water Mark is the highest prior NAV of the Fund on a per unit basis at which a Performance Fee was levied at the end of a Performance Fee period. The High Water Mark is increased by the performance hurdle.

For Close-ended Funds, Performance Fees are only earned when distributions to Investors are made. The Performance Fee on dividends will only be payable when the Fund becomes entitled to receive the dividend. In relation to the Performance Fee that is related to capital distributions, Microequities is entitled to receive a Performance Fee (GST exclusive) of 20% of the distributions paid to Investors after all of the Investors' contributed capital has been repaid. In regard to the Microequities Venture Capital Fund LP, Performance Fees are shared with Equity Venture Partners in a ratio determined by the performance of the Fund. Further detail on the Performance Fee applicable to the Microequities Venture Capital Fund LP is set out in Section 9.1.2.

The level of Performance Fees generated by Microequities in the Historical Periods has fluctuated based on the performance of the Funds. In FY17 (and in particular, in 1H17) significant Performance Fees were earned by the Deep Value Fund in the month of August 2016 as many of the investments in the Fund reported profit results in excess of market expectations, leading to share price appreciation for many of the investments. In the months of December 2016 and June 2017, Microequities derived significant Performance Fees from Close-ended Funds as a result of takeover activity or sell downs in the shareholdings held by the Close-ended Funds.

The decline in Performance Fees between 1H17 and 1H18 was due to the non-recurrence of the same level of Performance Fees for Open-ended Funds and a lower level of Performance Fees from Close-ended Funds in 1H18 compared with 1H17 due to lower distributions to Investors in these Funds.

4.3.3.4 INVESTMENT INCOME

In the Historical Periods, Microequities has generated investment income from a number of sources, including:

- trust distributions from investments held in Funds;
- dividends and realised capital gains from holding shares in ASX listed entities; and
- mark to market revaluations of investments.

In FY16, Microequities recorded a significant realised capital gain on investments and a positive adjustment to the market value of its investments. In FY17, a significant negative adjustment was made to the market value of its investments from the value at which it was reflected in FY16, which resulted in investment income being negative for the year.

4.3.3.5 OTHER INCOME

Other income relates to other sources of revenue which are ad hoc in nature or non-recurring.

4.3.3.6 EXPENSES

Employment expenses

Employment expenses are Microequities largest operating expense, representing approximately 64% of Microequities total expenses in the Pro Forma Historical Results for FY17. Employment expenses predominantly consist of wages and salaries plus associated on-costs (e.g. payroll tax, superannuation and leave entitlement expenses).

Employment expenses have increased over the Historical Periods from a combination of an increase in the number of employees from 6.5 full time equivalent as at 1 July 2015 to 12 at 31 December 2017, together with increases in salaries.

Since 1 July 2015 additional employees have been added to the investment management, business development, fund accounting and marketing teams as well as to the management team.

Rent

In late 2016, Microequities moved to its current premises in order to accommodate the increase in the number of employees and provide better facilities and an improved working environment for staff. Accordingly, FY17 rent expense incorporated 6 months of rental at the prior premises and 6 months at the current premises compared to 12 months of rental in the prior premises in FY16.

Other expenses

Other expenses include software subscription fees, internet and website costs, insurance, printing and distribution costs.

Other expenses increased between FY16 and FY17 primarily due to an increase in IT costs (including software, telephone and internet costs), an increase in distribution costs related to the generation of new FUM, insurance costs and one-off office fit out and other costs associated with moving to new premises in November 2016.

4 FINANCIAL INFORMATION

4.3.4 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL RESULTS

Table 4 below sets out the pro forma adjustments that have been made to Microequities' Statutory Historical Results to reflect the impact of the estimated incremental annual / half yearly costs of being a listed company compared with the actual amount of expenses for each Historical Period, assuming Microequities was listed from 1 July 2015. These adjustments are summarised below.

Table 4: Pro Forma adjustments to the Statutory Historical Results for FY16, FY17, 1H17 and 1H18

TABLE 4					
\$'000	NOTES	FY16	FY17	1H17	1H18
Statutory net profit		4,866	9,495	6,183	2,958
Incremental listed company costs:					
– Incremental non executive director remuneration	1	(67)	(67)	(34)	(34)
– Incremental auditing, tax and accounting fees	2	(30)	(30)	(11)	(11)
– Other	3	(122)	(122)	(57)	(57)
Income tax benefit	4	66	60	28	28
Pro forma net profit	5	4,713	9,336	6,109	2,885

1. Non-executive Directors have been paid a total of approximately \$18,000 per annum (inclusive of superannuation) in the Historical Periods. Following the Offer, the total aggregate remuneration to be paid to the two existing Non-executive Directors will increase to \$85,000 per annum (inclusive of superannuation).
2. Incremental auditing and tax fees applicable to a listed company versus an unlisted company plus incremental accounting costs relating to the preparation of general purpose financial statements as opposed to special purpose financial statements.
3. Other incremental costs include share registry costs, ASX annual listing fees, annual report type setting and printing costs and incremental insurance costs associated with being a listed company.
4. Income tax benefit from a reduction in profit before tax due to increases in expenses. For FY16, the income tax benefit has been calculated using a rate of 30%, and for FY17 and 1H18 a rate of 27.5% has been used.
5. The reclassification of Management and Performance Fees in FY16 and FY17 (see Section 4.3.1 above) has not been included as an adjustment in the table above as it would have no impact on profit.

4 FINANCIAL INFORMATION

4.4 STATUTORY HISTORICAL CASH FLOWS AND PRO FORMA HISTORICAL CASH FLOWS

4.4.1 OVERVIEW

Table 5 below sets out the Statutory Historical Cash Flows and Pro Forma Historical Cash Flows for FY16 and FY17

\$'000	NOTES	STATUTORY HISTORICAL		PRO FORMA HISTORICAL	
		FY16	FY17	FY16	FY17
Receipts from customers	1	7,122	14,113	7,084	13,618
Interest received		72	130	72	130
Payments to suppliers and employees	1	(1,177)	(3,330)	(1,358)	(3,054)
Income tax		(1,652)	(2,685)	(1,586)	(2,624)
Net cash flows from operating activities		4,365	8,229	4,211	8,070
Proceeds from sale of investments/capital returns		1,492	141	1,492	141
Payment for investments		(2,025)	(172)	(2,025)	(172)
Cash flows from financing activities		(533)	(32)	(533)	(32)
Capital raised for shares issued		100	–	100	–
Distribution of profits to non-controlling entity		–	(203)	–	(203)
Dividends paid		(2,377)	(6,855)	(2,377)	(6,855)
Net cash provided by (used in) financing activities		(2,277)	(7,058)	(2,277)	(7,058)
Net increase (decrease) in cash and cash equivalents held		1,555	1,139	1,401	980

- In the Statutory Historical Cash Flows for FY16 and FY17 amounts of approximately \$38,000 and \$495,000 respectively of fees were rebated to shareholders (see Section 4.3.1) and included in "Payments to suppliers and employees". For the purposes of the Pro Forma Historical Cash Flows for FY16 and FY17 these amounts have been reclassified and netted against "Receipts from customers".

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Table 6 below sets out the Statutory Historical Cash Flows and Pro Forma Historical Cash Flows for 1H17 and 1H18

TABLE 6					
\$'000	NOTES	STATUTORY HISTORICAL		PRO FORMA HISTORICAL	
		1H17	1H18	1H17	1H18
Receipts from customers		10,293	9,026	10,293	9,026
Interest received		63	77	63	77
Payments to suppliers and employees		(1,643)	(2,128)	(1,745)	(2,229)
Income tax		(1,559)	(1,320)	(1,531)	(1,292)
Net cash flows from operating activities		7,153	5,655	7,080	5,582
Proceeds from sale of investments/capital returns		45	1,018	45	1,018
Payment for investments		(158)	(1,017)	(158)	(1,017)
Cash flows from financing activities		(113)	2	(113)	2
Capital raised for shares issued		–	–	–	–
Distribution of profits to non-controlling entity		(69)	(138)	(69)	(138)
Dividends paid		(4,457)	(3,295)	(4,457)	(3,295)
Net cash provided by (used in) financing activities		(4,526)	(3,433)	(4,526)	(3,433)
Net increase (decrease) in cash and cash equivalents held		2,515	2,224	2,441	2,151

4.4.1.1 CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities increased between FY16 and FY17 in line with the increase in profitability of the business (see Table 1). Receipts from customers increased in line with increased Management Fees which resulted from increases in FUM, and increased Performance Fees which resulted from the performance of the Funds exceeding benchmarks. Payments to suppliers and employees increased due to increases in employment expenses and other expenses, as described in Section 4.3.3.6 above.

4.4.1.2 CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities over the Historical Periods primarily relates to the purchase and sale of investments, plus returns received from investments, which includes dividends and distributions.

In FY16, the proceeds from sale of investments related to the sale of a treasury investment. In FY16, payments were made for two investments.

In 1H18, Microequities sold a shareholding in an ASX listed company and made an investment into a Microequities Open-ended Fund.

4 FINANCIAL INFORMATION

4.4.2 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS

Table 7 below sets out the pro forma adjustments that have been made to Microequities' Statutory Historical Cash Flows to reflect the impact of the estimated incremental annual / half yearly costs of being a listed company compared with the actual amount of expenses for each Historical Period, assuming Microequities was listed from 1 July 2015. These adjustments are summarised below.

Table 7: Pro Forma adjustments to the Statutory Historical Cash Flows for FY16, FY17, 1H17 and 1H18

TABLE 7					
\$'000	NOTES	FY16	FY17	1H17	1H18
Statutory cash flows		1,555	1,139	2,515	2,224
Incremental listed company costs:					
- Incremental non executive director remuneration	1	(67)	(67)	(34)	(34)
- Incremental auditing, tax and accounting fees	2	(30)	(30)	(11)	(11)
- Other	3	(122)	(122)	(57)	(57)
Income tax benefit	4	66	60	28	28
Pro forma cash flows	5	1,401	980	2,441	2,151

1. Non-executive Directors have been paid a total of approximately \$18,000 per annum (inclusive of superannuation) in the Historical Periods. Following the Offer, the total aggregate remuneration to be paid to the two existing Non-Executive Directors will increase to \$85,000 per annum (inclusive of superannuation).
2. Incremental auditing and tax fees applicable to a listed company versus an unlisted company plus incremental accounting costs relating to the preparation of general purpose financial statements as opposed to special purpose financial statements.
3. Other incremental costs include share registry costs, ASX annual listing fees, annual report type setting and printing costs and incremental insurance costs associated with being a listed company.
4. Income tax benefit from a reduction in profit before tax due to increases in expenses. For FY16, the income tax benefit has been calculated using a rate of 30%, and for FY17 and 1H18 a rate of 27.5% has been used.
5. The reclassification of Management and Performance Fees in FY16 and FY17 (see Section 4.3.1, above) has not been included as an adjustment in the table above as it would have no impact on cash flow.

4.5 STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

4.5.1 OVERVIEW

Table 8 below sets out the pro forma adjustments that have been made to the audit reviewed Statutory Historical Statement of Financial Position for Microequities at 31 December 2017 to prepare the Pro Forma Statement of Financial Position for Microequities to take into account the effect of, amongst other things, the transaction expenses associated with the Listing and an adjustment to reflect the payment of a dividend in early January 2018 that had been accrued as at 31 December 2017. These adjustments reflect the impact to the Historical Statement of Financial Position as if they had occurred or were in place as at 31 December 2017, even though the transactions occurred after 31 December 2017.

Table 8: Statutory Historical Statement of Financial Position as at 31 December 2017 and Pro Forma Historical Statement of Financial Position as at 31 December 2017

4 FINANCIAL INFORMATION

TABLE 8

\$'000	NOTES	AUDIT REVIEWED 31 DEC 17	PRO FORMA ADJUSTMENTS	PRO FORMA 31 DEC 17
Cash and cash equivalents	1	5,939	(2,068)	3,871
Trade and other receivables		930	–	930
Loan receivable from shareholders		35	–	35
Total current assets		6,904	(2,068)	4,835
Financial assets		2,796	–	2,796
Loan receivables from shareholders		265	–	265
Deferred tax assets	2	65	115	180
Total non-current assets		3,126	115	3,241
Total assets		10,030	(1,953)	8,077
Trade and other payables		(611)	–	(611)
Provisions for leave liability		(188)	–	(188)
Dividend payable	3	(1,650)	1,650	(0)
Provision for income tax		(1,225)	–	(1,225)
Total current liabilities		(3,675)	1,650	(2,025)
Deferred tax liabilities		(32)	–	(32)
Total non-current liabilities		(32)	–	(32)
Total liabilities		(3,707)	1,650	(2,057)
Net assets		6,323	(303)	6,020
Equity				
Issued equity		2,971	–	2,971
Retained earnings	4	3,353	(303)	3,049
Total equity		6,323	(303)	6,020

1. The adjustment made to cash and cash equivalents reflects the transaction costs associated with the Listing (including, inter alia, legal and accounting fees and the initial ASX listing fee) estimated to be approximately \$418,000 plus the cash payment made on 4 January 2018 of \$1.65 million to Pre-IPO Shareholders being the payment of the dividend accrued as at 31 December 2017.
2. The adjustment to the deferred tax asset reflects the tax benefit from the deductibility of the transaction costs associated with the Listing, which will be claimed over a five-year period. The asset has been calculated using a tax rate of 27.5%.
3. The adjustment to dividend payable reflects the cash payment made on 4 January 2018 of \$1.65 million to Pre-IPO Shareholders being the dividend accrued as at 31 December 2017.
4. Retained earnings has been adjusted to reflect the after tax transaction costs associated with the Listing (see notes 1, and 2 above).

4 FINANCIAL INFORMATION

4.5.2 NON-OPERATING ASSETS

4.5.2.1 TREASURY ASSETS

As at 31 December 2017, Microequities held approximately \$2.8 million of treasury assets, (shown in the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position as at 31 December 2017 as financial assets). These treasury assets were investments in Funds which were made by Microequities from capital which was not required for the operation of the Microequities business.

4.5.3 UNREALISED PERFORMANCE FEES

Performance Fees on Open-ended Funds are calculated at the end of each month and paid to Microequities in the following month. There are therefore no unrealised Performance Fees for these Funds as at 31 December 2017.

In contrast, Performance Fees on capital distributions for the Close-ended Funds are only crystallised when the capital distributions, in excess of the initial amount invested, are made to Investors. The Close-ended Funds are revalued monthly and this may result in there being an unrealised Performance Fee in relation to the Close-ended Funds.

Unrealised Performance Fees from Close-ended Funds are not included in the Financial Information. As at 31 December 2017, three continuing Close-ended Funds had fully repaid the original capital invested by Investors in these Funds, whilst the Close-ended Funds continued to hold underlying investments. Accordingly, Microequities will be entitled to future Performance Fees from these Close-ended Funds when the underlying investments are sold (or dividend or other income is received on the investments) and the proceeds are distributed to Investors.

4.5.4 CASH AND CASH EQUIVALENTS

As at 31 December 2017 on a statutory and pro forma basis, Microequities held approximately \$5.9 million and \$3.9 million respectively of cash and cash equivalents.

Microequities holds a minimum of 0.5% of FUM as cash or cash equivalents at all times in terms of regulatory requirements. This would imply that, based on Microequities' FUM of \$442 million as at 31 December 2017, an amount of approximately \$2.21 million was required to be maintained to meet this requirement.

Microequities had no financial indebtedness as at 31 December 2017.

4.6 LIQUIDITY AND CAPITAL RESOURCES

Following Completion, Microequities' principal sources of funds are expected to be cash on hand and revenue generated from operations.

Microequities' main use of cash in its operations is the payment of employment expenses and rent for its office space.

Microequities expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs. Microequities' ability to continue to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond its control including general economic, financial and competitive conditions.

4.7 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company's only contractual obligation is in relation to leases of office space.

The Company's operating lease commitments are non-cancellable operating leases expiring on 14 October 2018 and 31 December 2020 respectively for office space. The lease commitments are as follows:

\$000	31 DEC 17
Within one year	317
Later than one year but not later than 5 years	541
Later than five years	0
Total	858

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.

4.8 OFF BALANCE SHEET ITEMS

Microequities has no material contingent liabilities or off-balance sheet arrangements.

4.9 WORKING CAPITAL

The Directors believe that, on Completion of the Offer, Microequities will have enough working capital to carry out Microequities' stated business objectives.

4 FINANCIAL INFORMATION

4.10 DIVIDEND POLICY

Subject to future business conditions, the performance of Microequities and Microequities future cash requirements, the Directors' current intention is to target a dividend payout ratio in the range of 70% to 100% of Net Operating Cash Profit. Since all income of Microequities is Australian sourced and Australian tax is paid on that income, it is likely, but not guaranteed, that any dividend that is paid will be fully franked. It is the current intention of the Directors to pay interim dividends in respect of the financial half years ending 31 December and final dividends in respect of the financial full years ending 30 June.

Despite this, no assurances can be given by any person, including the Directors, about the payment of any dividend, the amount of any dividend and the level of franking (if any) on any such dividend in future periods. The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results and financial condition of the Company.



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KEY RISKS

5 KEY RISKS

INTRODUCTION

There are a number of risk factors associated with the Company and a number of general risk factors associated with an investment in Shares. These risks may individually or in combination materially and adversely affect the future operating and financial performance of the Company and accordingly the value of Shares. There can be no guarantee that the Company will achieve its stated objectives or that any of the forward looking statements or projections will eventuate.

This Section 5 describes potential risks associated with Microequities' business and an investment in Shares. It does not list every risk that may be associated with Microequities and although the Company attempts to mitigate risks via internal controls and safeguards, the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of Microequities and its Directors and Management. The risks have been separated into business risk factors specific to the Company and general risk factors associated with any investment in shares.

All Share Investors need to be aware that this is not an exhaustive list of risks associated with an investment with the Company and this information needs to be considered in conjunction with all the other information disclosed in the Prospectus. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management as at the Prospectus Date. The risks may change or other risks may emerge after that date.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Microequities and whether it is a suitable investment, having regard to your investment objectives, financial circumstances and taxation position. It is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

Share Investors should be aware that the risks outlined in this Section 5 should be considered in conjunction with the other information disclosed in this Prospectus.

5.1 RISKS ASSOCIATED WITH MICROEQUITIES' BUSINESS

5.1.1 MARKET RISK

All of Microequities' Funds have their listed investments revalued to market value at the end of each month. Unfavourable movements in financial markets could cause the market value of the Funds' underlying investments to decline, which would adversely affect Microequities' Management Fee revenue, Performance Fees and potentially investment inflow and outflow patterns.

The following are examples of market events that could impact Microequities' operations:

- volatility and changes of sentiment in the stock market
- changes in official interest rates
- government policy including fiscal and monetary policies
- local or international economic instability
- inflation
- currency fluctuations
- unemployment
- political changes
- war and terrorism

5.1.2 RELIANCE ON KEY STAFF

Loss of key staff could result in the performance of the Funds deteriorating, which may lead to a loss of Clients and an inability to attract new Clients.

Microequities relies on its ability to attract, train, retain and motivate highly skilled and qualified employees in order to run its business. Microequities, as with any services company, is reliant on the continued services of certain personnel to generate future earnings. There can be no guarantee that key staff will remain committed to Microequities. However, key staff have equity or the rights to equity in the Company, creating alignment with Shareholders and a long term focus, as well as being incentivised to remain loyal to the business through long-term incentive arrangements that only vest after a period of time and subject to certain performance hurdles being met.

Employees are free to leave Microequities at will, subject to an employment contract with notice of termination. Details of termination arrangements and restraints for key staff are set out in Section 6.3.2.

5 KEY RISKS

5.1.3 POOR INVESTMENT PERFORMANCE

Negative investment performance directly reduces FUM. Similarly, poor investment performance due to Microequities making poor investment decisions (as opposed to changes in market sentiment) could:

- decrease Management Fees and Performance Fees earned by Microequities;
- cause investors to withdraw their money, thereby reducing the Management Fees and Performance Fees that Microequities earns or could earn; and
- due to potential reputational damage, affect the ability of Microequities to attract new FUM, thereby impacting its ability to organically grow its business.

5.1.4 RISK OF CHANGE TO THE LEGISLATIVE AND REGULATORY ENVIRONMENT

Microequities operates in a highly regulated environment.

There is a risk that the legislative and regulatory environment in which Microequities operates may change requiring Microequities to modify the way in which it conducts its business.

Examples of such regulatory risk include:

- Microequities manages funds exclusively for Wholesale and Sophisticated Investors. If the Corporations Act is amended so as to eliminate the concept of Wholesale and Sophisticated Investors, Microequities would need to substantially modify its operations in order to legally engage with retail investors.
- A significant part of Microequities' Client base is SMSF investors. If the regime governing SMSFs was modified such that SMSF investments could only be made in retail funds or funds issued under a product disclosure statement, Microequities would be required to expend significant effort and incur costs in order to continue to service SMSF investors.

5.1.5 AFSL RISK

Microequities is required to hold an AFSL in order to undertake its funds management operations. There is a risk that ASIC may impose adverse changes to Microequities' licensing conditions or that Microequities may have its AFSL revoked by ASIC. Any such changes or revocation would require Microequities to modify, potentially significantly, the way in which it conducts its business, which could have a material adverse effect on Microequities financial performance and/or reputation.

5.1.6 MICROCAP / SMALLCAP COMPANY RISK

Shares in Microcap and Smallcap companies may trade less frequently and in smaller volumes and may experience greater price volatility than larger companies. In times of heightened market volatility these companies could face an illiquid securities market, thereby limiting the ability of the Manager to disinvest out of positions. Microcap and Smallcap companies may also have more limited operating histories, markets, product lines or financial resources than larger companies. They may also depend heavily on key staff. These factors may impact the performance of Microequities' Funds, market price for Microequities' Funds and adversely impact FUM.

5.1.7 COMPETITION RISK

Within the funds management industry, Microequities is subject to increasing competition from both existing Fund Managers and new entrants seeking to gain market share from Microequities. In particular, Fund Managers and listed investment companies focusing on Microcap and Smallcap companies may achieve investment performance superior to Microequities, which may impact on Microequities' ability to successfully retain current Clients and to attract new Clients.

5.1.8 UNIT PRICING ERROR

A risk facing any asset manager is incorrectly calculating a unit price in a unit trust of which it is the investment manager. Most unit pricing errors are very small and make little difference to an investor's investment value. However, large errors are possible and may result in Microequities becoming liable to compensate investors for any loss, which would, in turn, lead to reduced earnings.

5.1.9 LITIGATION RISK

Microequities could become subject to litigation in relation to professional negligence, investment losses, product liability claims, claims arising under Client contracts or other litigation.

Microequities maintains public liability and investment manager's insurance (including professional indemnity and Director's and Officer' liability insurance). Despite these protections it is possible that claims not covered by insurance may arise which could have an adverse effect on Microequities' financial performance and reputation which would, in turn, lead to reduced earnings.

To the knowledge of the Directors, there is no material litigation threatened or pending that may significantly affect Microequities.

5 KEY RISKS

5.1.10 REDEMPTION RISK

Poor investment performance, negative market sentiment, market volatility and a number of other factors may result in Clients redeeming their investments in the Funds. In such an event, it may not be possible to liquidate some of the investments at the time that such redemptions are requested, or it may be possible to do so only at prices which do not reflect the true value of such investments, resulting in an adverse effect on the return to investors. In extreme situations, Funds may need to freeze redemptions by investors which could have significant reputational implications.

5.1.11 THIRD-PARTY RISK

Microequities relies on a number of third parties in areas such as brokerage, custody and accounting / taxation. The failure of these parties to provide adequate services would create an operational risk to Microequities. Microequities aims to mitigate against this risk by monitoring the performance of existing service providers on an ongoing basis and remaining aware of alternative service providers.

5.1.12 COUNTERPARTY RISK

The Funds may be subject to loss of assets on deposit with a broker in the event of the broker's inability to secure custody of a Fund's assets or its insolvency, the insolvency of any clearing broker through which the broker executes and clears transactions, or the insolvency of an exchange clearing house. A party defaulting on its obligations, whether due to insolvency, bankruptcy or other causes, could subject the Funds to substantial losses.

5.1.13 TECHNOLOGY RISK

Microequities is reliant on a number of technologies to assist in its daily operations. These vary from internally developed software programs and computer models, communications technologies and third party accounting software. If any technology was unavailable or damaged then Microequities' operations would be adversely impacted. Microequities seeks to mitigate against this risk by implementing backup facilities and disaster recovery procedures.

5.1.14 INSURANCE COVERAGE RISK

Microequities may be under-insured. It could also be negatively affected by an increase in insurance premiums or an inability to obtain sufficient insurance coverage.

5.1.15 MACRO-ECONOMIC RISKS

Microequities' business is exposed to changes in general global economic conditions caused by factors such as those outlined in Section 5.1.1. For example, adverse macroeconomic conditions such as economic recessions, downturns or extended periods of uncertainty or volatility, which may influence the investment decisions of the Company's investors who may defer or cancel proposed investments or seek to redeem their investments.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN SHARES

5.2.1 CAPITAL STRUCTURE RISKS

On completion of the Offer, an entity controlled by Carlos Gil, Microequities' Chief Executive Officer and Chief Investment Officer, will hold approximately 40% of the issued capital of Microequities if the Offer is fully subscribed and approximately 43% of the issued capital of Microequities if only the minimum Applications is achieved. Such a shareholding is not in itself sufficient to pass ordinary resolutions of Microequities and Carlos Gil will only be one Director out of four on the Board. However, Carlos Gil would be able to block special resolutions proposed at a general meeting of Shareholders and he will be able to exert influence over future Shareholder resolutions by virtue of his substantial shareholding.

5.2.2 MARKET CONDITIONS

Stock market conditions may affect the value of the Shares regardless of Microequities' operating performance. Stock market conditions are affected by many factors such as:

- general economic conditions, including changes in inflation rates, interest rates and exchange rates;
- variation in the domestic and international markets for listed securities;
- changes to government policy, legislation or regulation;
- change in market investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Microcap and Smallcap companies have historically experienced greater market price volatility than other equity classes and may accentuate downward market movements in falling markets. Neither Microequities nor the Directors warrant the future performance of Microequities or any return on an investment in Microequities.

5 KEY RISKS

5.2.3 SECURITY HOLDERS MAY SUFFER DILUTION

In the future, Microequities may elect to issue Shares or engage in fundraisings including to fund acquisitions that Microequities may decide to make. While Microequities will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues and fundraisings.

Shareholders will also be diluted by the exercise of Options on issue.

5.2.4 TRADING AND LIQUIDITY IN SHARES

There is no guarantee that there will be an active market in Shares listed on the ASX. There may be few potential buyers and sellers of Shares at any point in time which will impact upon Share liquidity. This may increase the volatility of the market price of the Shares. This may also impact upon the ability of the Shareholders to be able to sell their Shares at a price that is more or less than that paid by the Shareholder.

5.2.5 CURRENCY MOVEMENTS MAY BE UNFAVOURABLE

Apart from Australia, the GVMF currently invests in the UK, the US, Continental Europe, Canada and New Zealand. The GVMF does not generally hedge its foreign currency exposure. Adverse movements in the exchange rate between the Australian dollar and those respective foreign currencies, and any other foreign currencies as a result of future international investment, may cause the GVMF to incur foreign currency losses. Such losses may impact and reduce Microequities' profitability; however, a significant portion of Microequities' total FUM (approximately 88% as at 31 December 2017) is invested in Australian companies.

5.2.6 FRAUD RISK

Microequities relies on employees, agents and third parties in order to undertake its fund management activities. There is a risk that an employee of Microequities, an agent or a third party commits fraud on Microequities or the Funds, which could potentially expose Microequities to financial loss.

5.3 GENERAL INVESTMENT RISKS

5.3.1 ADVERSE TAXATION CHANGES MAY OCCUR

There is the potential for changes to tax laws. Any change to the current rates of taxes imposed on Microequities (including in foreign jurisdictions in which Microequities operates) is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to Microequities' view of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets in Microequities' financial statements. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and Shareholder returns.

With the Funds holding investments in companies that have operations in a number of Australian States and Territories, Microequities' Funds are potentially exposed to changes in taxation law legislation or interpretation in each of those jurisdictions.

5.3.2 AUSTRALIAN ACCOUNTING STANDARDS MAY CHANGE

Australian Accounting Standards are set by the AASB and are outside the control of either Microequities or its Directors. The AASB is likely to introduce new or refined Australian Accounting Standards in the future, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that future interpretation of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ from Microequities' view. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Microequities' financial statements.

5.3.3 FORCE MAJEURE EVENTS MAY OCCUR

Events may occur within or outside Australia that could impact upon the Australian economy, Microequities' operations and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Microequities' services and its ability to conduct business. Microequities has only a limited ability to insure against some of these risks.

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KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.1 BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Leslie (Les) Szekely
Non-executive Director
and Chairperson



Les 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 Horwaths Chartered Accountants for 20 years, until the company merged with Deloitte, when he became Director of Taxation in Deloitte Growth Solutions. He holds B.A, LL.B (University of New South Wales) and LL.M. (Sydney University) degrees and has authored numerous books and articles on taxation law.

Since leaving Deloitte in 2008 Les has dedicated his time to angel and VC investing. He is Chairman of the Investment Committee for the Microequities VC Fund and sits on the Boards of several companies. His focus is the development of business strategy in sectors undergoing digital disruption.

Craig Shapiro
Independent
Non-executive Director



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 & 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-CEO of Blue River Group, an impact investment services firm based in Sydney.

He holds a Bachelor of Science from the University of Sydney, a Diploma from the Securities Institute of Australia (FINSIA) and is a member of the Australian Institute of Company Directors (MAICD).

Craig is currently a director and honorary treasurer of The Sydney Institute and a director of The Jewish Care Foundation.

Carlos Gil
Executive Director,
Chief Executive Officer and
Chief Investment Officer



Carlos is the founder and current Chief Executive Officer and Chief Investment Officer of Microequities. He 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 Microequities with a long-term vision of creating a value driven specialist Microcap and Small Cap Fund Manager.

Carlos holds a 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.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

Samuel (Sam) Gutman
Executive Director



Sam brings a wealth of invaluable pragmatic business experience to the management team, obtained through a successful career in the IT industry. Sam has been a long time personal investor in the Microcap asset class, and adamantly shares the investment philosophy of the Microequities team.

Sam has a B.A with a major in economics from the University of Newcastle (Australia) and has a Graduate Diploma of Applied Finance & Investments from the Financial Services Institute of Australia.

6.2 KEY EXECUTIVE MANAGEMENT

Carlos Gil
Chief Executive Officer and
Chief Investment Officer

See Section 6.1 above.

Sam Gutman
Executive Director and
Company Secretary

See Section 6.1 above.

Paul Kaplan
Chief Operating Officer



Paul is a Chartered Accountant with over 20 years of financial services and operational experience. As co-founder of Momentum Corporate, Paul managed the operations of the advisory and funds management business where he also provided strategic and financial advice to private and listed companies. Prior to joining Microequities in November 2015, Paul was Chief Operations Officer of the Bendon Group, a global apparel retailer and wholesaler. Paul holds a Bachelor of Business Science (accounting and finance majors) and Post Graduate Diploma in Accounting from Cape Town University.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.3 BENEFITS AND INTERESTS

6.3.1 EXECUTIVE AND EMPLOYEE INCENTIVE ARRANGEMENTS

Microequities has established incentive arrangements to enable the attraction, motivation and retention of management and employees.

For Management, the remuneration packages in FY18 will consist of a mixture of:

- fixed remuneration – see Section 6.3.2;
- long-term performance-related cash bonuses – see Section 6.3.2.1;
- the equity incentive plan – see Section 6.3.3; and
- the Microequities Employee Share Trust Plan (**ESTP**) – see Section 10.4.1.

6.3.2 MANAGEMENT REMUNERATION

6.3.2.1 CARLOS GIL REMUNERATION AS CHIEF EXECUTIVE OFFICER AND CHIEF INVESTMENT OFFICER

EMPLOYER	MICROEQUITIES ASSET MANAGEMENT PTY LTD
Fixed remuneration	\$500,000 (inclusive of superannuation)
Long-term performance-related cash bonus	The Company 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 Microequities. The Company 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 1.9 million 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).
Termination	Either Carlos Gil or Microequities may terminate Carlos Gil's employment contract on three months' written notice. Microequities may require Carlos Gil to work for part or all of this notice period and / or pay Carlos Gil an amount in lieu of any unworked portion of the notice period (based on his fixed remuneration). In the event of serious misconduct or other specific circumstances warranting summary dismissal, Microequities may terminate Carlos Gil's employment contract immediately by notice in writing and without payment in lieu of notice.
Restraint	Upon termination of Carlos Gil's employment contract, he will be subject to a restraint period of up to six months. Microequities may elect to reduce the restraint period, or eliminate the period in its entirety. The enforcement of the restraint period is subject to all usual legal requirements.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.3.2.2 SAM GUTMAN REMUNERATION AS EXECUTIVE DIRECTOR AND COMPANY SECRETARY

EMPLOYER	MICROEQUITIES ASSET MANAGEMENT PTY LTD
Fixed remuneration	\$150,000 (inclusive of superannuation)
Termination	Either Sam Gutman or Microequities may terminate Sam Gutman's employment contract on three months' written notice. Microequities may require Sam Gutman to work for part or all of this notice period and / or pay Sam Gutman an amount in lieu of any unworked portion of the notice period (based on his fixed remuneration). In the event of serious misconduct or other specific circumstances warranting summary dismissal, Microequities may terminate Sam Gutman's employment contract immediately by notice in writing and without payment in lieu of notice.
Restraint	Upon termination of Sam Gutman's employment contract, he will be subject to a restraint period of up to six months. Microequities may elect to reduce the restraint period, or eliminate the period in its entirety. The enforcement of the restraint period is subject to all usual legal requirements.

6.3.2.3 PAUL KAPLAN REMUNERATION AS CHIEF OPERATING OFFICER

EMPLOYER	MICROEQUITIES ASSET MANAGEMENT PTY LTD
Fixed remuneration	\$320,049 (inclusive of superannuation)
Options	2,713,022 (See Section 6.3.4 below)
Termination	Either Paul Kaplan or Microequities may terminate Paul Kaplan's employment contract on four weeks' written notice. Microequities may require Paul Kaplan to work for part or all of this notice period and / or pay Paul Kaplan an amount in lieu of any unworked portion of the notice period (based on his fixed remuneration). In the event of serious misconduct or other specific circumstances warranting summary dismissal, Microequities may terminate Paul Kaplan's employment contract immediately by notice in writing and without payment in lieu of notice.
Restraint	Upon termination of Paul Kaplan's employment contract, he will be subject to a restraint period of up to six months. Microequities may elect to reduce the restraint period, or eliminate the period in its entirety. The enforcement of the restraint period is subject to all usual legal requirements.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.3.3 EQUITY INCENTIVE PLAN

In November 2015, Sam Gutman and Shuo Yang were both issued Shares under the Company's historical equity incentive plan. In accordance with the terms of this equity incentive plan Sam Gutman was issued 580,232 Shares and Shuo Yang was issued 787,200 Shares (**Incentive Shares**). Shuo Yang is a member of the investment management team of Microequities.

Microequities lent an amount equal to the total issue cost of the Incentive Shares to Sam Gutman and Shuo Yang to enable them to subscribe for the Incentive Shares (each a **Loan**). As at 31 December 2017, the balance of the Loan to Sam Gutman was \$120,102 and the balance of the Loan to Shuo Yang was \$179,873.

The material terms of Sam Gutman's Loan are summarised below:

- The Loan is a non-recourse loan.
- Interest must be paid on the outstanding amount of the Loan at the Benchmark Interest Rate as defined in section 109N2 of the *Income Tax Assessment Act 1936*.
- An amount no less than the minimum yearly repayment as defined in section 109E(5) of the *Income Tax Assessment Act 1936* must be repaid on or before 30 June of each year.
- The Loan together with interest must be repaid in full on the date that is two years after Listing.
- Sam may either repay the outstanding balance of the Loan or elect to have the Company buy back the Incentive Shares at market value and apply the proceeds against the outstanding Loan balance. In the event the Company buys-back the Incentive Shares and the proceeds received are less than the outstanding Loan balance, the Company will forgive the shortfall.
- If the employee is terminated prior to repayment in full of the Loan, the employee's liability with respect to the Loan will be expunged.

The material terms of Shuo Yang's Loan are the same as those above except:

- The Loan is interest free.
- The Loan must be repaid in full on the date that is the earlier of the date of the acquisition of the Company or its business through a takeover or otherwise or seven years from the date of issue of the Loan (being 26 November 2022).

6.3.4 OPTIONS

On 9 November 2015, Paul Kaplan was issued 2,713,200 options for nil consideration (**Options**). Each Option is exercisable for one Share. 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 \$0.2667 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 Paul Kaplan being employed by the Group on the vesting date. If for any reason whatsoever, Paul Kaplan ceases to be employed prior to the vesting date, then all unvested Options will immediately lapse and Paul Kaplan will not be entitled to any compensation in respect of the lapsed Options. Any unexercised Options will lapse 59 months from their issue date.

6.3.5 DIRECTOR BENEFITS

6.3.5.1 NON-EXECUTIVE DIRECTOR REMUNERATION

Under the Constitution, the Board may decide the remuneration from Microequities to which each non-executive Director is entitled for their services as a Director. However, the total amount of fees paid to all non-executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount being fixed by Microequities in general meeting. This amount is currently fixed at \$300,000 per annum.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

On Listing, the annual base non-executive Director fees currently agreed to be paid by Microequities are \$45,000 to the Chairperson and \$40,000 to each other non-executive Director, 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. No additional remuneration is paid to executives who are also Directors in connection with their directorship.

6.3.5.2 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

Microequities has entered into a deed of access, indemnity and insurance with each of its Directors. The deed confirms the Director's right of access to board papers and requires Microequities to use reasonable endeavours to maintain, while the Director is a director of Microequities and during a period of seven years after the Director ceases to be a Director of Microequities or a related body corporate, a contract or contracts of insurance with a level of directors' and officers' liability cover that is substantially similar to the contract of insurance maintained by Microequities on behalf of its Directors currently. The obligation of Microequities to maintain insurance is limited to obtaining insurance which is reasonably available at reasonable cost and at such level as determined by the Board from time to time in consultation with Microequities' insurance broker.

Under the deed, Microequities also agrees, to the maximum extent permitted by law, to indemnify each Director against any liability (including for reasonable legal costs incurred in connection with any dispute or proceedings), including any liability arising from negligence, breach of statutory duty or for any other reason and including civil penalties, incurred by the Director in connection with any Director's conduct while the Director is a director of Microequities or any related body corporate. The indemnity provided does not apply to, amongst other things, any liability, legal cost or expense connected with Director's conduct which is fraudulent, criminal or dishonest, or a reckless or intentional breach of the Director's duties as a director of Microequities or a related body corporate.

6.3.6 OTHER AGREEMENTS WITH DIRECTORS OR RELATED PARTIES

Les Szekely, a non-executive Director, holds 50% of the shares in 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 (**VCLP**) which acts as general partner of the

MVCF. As a limited partner of the VCLP, EVP is entitled to receive a portion of the Management Fees and Performance Fees collected by the VCLP in its capacity as general partner of the MVCF. See Section 9.1.2 for further information.

As is common in fund management businesses, the executive management team invests in the products managed by them. Consequently, the executive Directors may derive benefits from those investments in exactly the same manner as all other Clients who have invested in those products.

In January 2014, the Microequities Board formally ratified specific Management Fee and Performance Fee arrangements which were in place with entities associated with the then sole three shareholders (being Carlos Gil, Sam Gutman and Les Szekely). These fee arrangements specifically covered a number of its Close-ended Funds in existence at the time and do not extend beyond those specific Funds. The arrangements are ongoing and involve rebating any fees payable by entities associated with the sole three shareholders relating to their investment in those Close-ended Funds. Additional detail on this arrangement is set out in Section 4.3.

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

6.3.6.1 OTHER INFORMATION

In accordance with the terms of the Constitution, the Board has appointed Carlos Gil as Managing Director of the Company.

Directors may be paid for travel and other expenses incurred in attending to Microequities affairs. This includes attending and returning from Board or committee meetings and general meetings. Any Director who devotes special attention to the business of Microequities or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of Microequities' funds.

There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.3.6.2 DIRECTORS' INTERESTS IN SHARES

The Directors' interests in Shares are set out in the following table:

SHAREHOLDER	SHARES FOLLOWING THE OFFER ¹	FULLY DILUTED % FOLLOWING THE OFFER ¹
Gil Investment Company Pty Ltd (Carlos Gil)	53,634,560	39.5%
Gutman Investment Partners Pty Ltd (Sam Gutman)	22,955,539	16.9%
Szekely Super Fund (Les Szekely)	18,317,357 ²	13.5%
Design Management Investment Pty Ltd ATF Craca Unit Trust (Craig Shapiro)	2,662,376	2.0%

1. Assumes that no existing Director or other connected person applies for additional Shares under the Offer and all the Shares offered are sold in the Offer. Percentage shown is diluted for the 2,713,022 Options on issue. If only the minimum Applications for 17,003,782 Shares are received, the interests, on a fully diluted basis, held by Gil Investment Company Pty Ltd, Gutman Investment Partners Pty Ltd and Szekely Super Fund will be 42.3%, 18.1% and 14.5% respectively and the interest held by Design Management Investment Pty Ltd ATF Craca Unit Trust will remain at 2.0%.
2. Includes 5,325,408 Shares held by Bellite Pty Ltd ACN 056 441 386, a company controlled by Les Szekely.

6.3.7 INTERESTS OF DIRECTORS, ADVISERS AND PROMOTERS

This Section 6.3.7 and Section 1.7 outline the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director;
- none of the following persons:
 - a Director or proposed Director;
 - each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus; or
 - a promoter of Microequities,

hold or held at any time during the last two years an interest in:

- the formation or promotion of Microequities;
- property acquired or proposed to be acquired by Microequities in connection with its formation or promotion or the Offer; or
- the Offer,

or was paid or given or agreed to be paid or given any amount of benefit for services provided by such persons in connection with the formation or promotion of Microequities or the Offer.

6.3.8 INTERESTS OF ADVISERS

Microequities has engaged these service providers in relation to the Offer and paid, or agreed to pay, approximately the amounts shown below:

SERVICE PROVIDER	ROLE	FEES
Mills Oakley	Legal adviser	\$120,000
BDO	Investigating Accountant	\$35,000
Prosperity & Prosperity Advisers (Sydney) Pty Ltd	Auditor and tax adviser	\$12,000

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

Unless stated otherwise, all amounts exclude disbursements and GST and all payments have been paid or are payable in cash.

Further amounts may be paid to Microequities' service providers in accordance with their normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by Microequities out of available cash. The total costs of the Offer (excluding GST) are estimated to be approximately \$418,000 (which includes, among other costs, the adviser costs above, the initial ASX listing fee, and share registry costs).

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains the main corporate governance policies and practices adopted by Microequities. Each of the charters and policies referred to in this Section 6.4 are available at <http://microequities.com.au/shareholders>.

The Board plays a key role in overseeing the policies, performance and strategies of Microequities. It is accountable to Microequities' members as a whole and must act in the best interests of Microequities. The Board monitors the operational and financial position and performance of Microequities and oversees its business strategy, including approving the strategic objectives, plans and budgets of Microequities. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Microequities. In conducting Microequities' business with these objectives, the Board seeks to ensure that Microequities is properly managed to protect and enhance Shareholder interests and that Microequities, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The Board has created a framework for managing Microequities including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Microequities' business and which are designed to promote the responsible management and conduct of Microequities. The Board sets the cultural and ethical tone for the Company.

The main policies and practices adopted by Microequities are summarised below.

6.4.1 ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations 3rd Edition (**ASX Recommendations**) for ASX listed entities in order to promote market investor confidence and to assist listed entities in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines, designed to produce an outcome that is effective and of high quality and integrity. However, under the ASX Listing Rules, Microequities will be required to provide a statement in its annual report, or the URL of the page on its website where the statement is located, disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Microequities does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

6.4.2 THE BOARD'S VIEW ON INDEPENDENCE

The Board considers a Director to be independent where he or she is not a member of Management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board.

The Board considers that Craig Shapiro is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Given the guidelines adopted by the Company regarding independence of Directors, Sam Gutman, as a member of Management and substantial shareholder in Microequities, Carlos Gil, as a member of Management and a substantial shareholder in Microequities, and Les Szekely, as a controller of a 50% shareholder of EVP (a limited partner of Microequities Venture Capital Managing Partnership LP – see Section 6.3.6) and a substantial shareholder in Microequities are each currently considered by the Board not to be independent.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.4.3 BOARD CHARTER

The Board has adopted a Board Charter which sets out the responsibilities of the Board and the manner in which the Board discharges its responsibilities. The Board is responsible for and has the authority to determine all matters relating to the strategic direction, policies, practices, goals for management and the operation of the Company, including the following responsibilities:

- providing leadership and approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- providing oversight of the Company, including its control and accountability systems;
- setting appropriate levels of delegated authority to management;
- monitoring compliance by the Company with its written policies and procedures, and its compliance with obligations at law;
- appointing and removing key management personnel (including senior and key officers of the Company) and monitoring their performance;
- ratifying the proposed appointment of any Directors and, where appropriate or applicable, the Company's secretary; and
- approving the Company's remuneration framework for the CEO and other key management personnel (including senior and key officers of the Company) and the remuneration policy and succession plans for the CEO.

The composition of the Board, its performance and the appointment of new Directors will be reviewed from time to time by the Board, including determining if the addition of an independent director is practicable given the Company's stage of growth at that time.

6.4.4 BOARD COMMITTEES

In order to properly execute the Board's duties, the Board has established an Audit and Risk Management Committee and a Nomination and Remuneration Committee. Each committee has adopted a charter approved by the Board, setting out its responsibilities. Other committees may be established by the Board as and when required.

6.4.4.1 AUDIT AND RISK MANAGEMENT COMMITTEE

From an audit perspective, the purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its statutory, corporate governance and oversight responsibilities by:

- monitoring and reviewing the integrity of the Company's internal financial reporting and external financial statements, the effectiveness of internal financial controls, the independence, objectivity and performance of external auditors, and the policies on risk oversight and management; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

From a risk perspective, the purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company including:

- providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the committee and management;
- maintaining an up-to-date understanding of areas where the Company is, or may be, exposed to material risk and compliance issues and checking that management is effectively managing those issues;
- making recommendations to the Board on the appropriate risk and risk management reporting requirements; and
- examining and evaluating the effectiveness of the internal control system with management and external auditors.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

On Listing, the Audit and Risk Management Committee will initially comprise:

- Craig Shapiro (Chair);
- Les Szekely; and
- Sam Gutman.

The Audit and Risk Management Committee Charter provides that the committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members. The committee will meet at least two times each financial year.

6.4.4.2 NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee has two key functions. The purpose of the nomination function is to review and make recommendations to the Board with respect to identifying nominees for directorships and key executive appointments, considering the composition of the Board, ensuring that effective induction and education procedures exist for new Board appointees and key executives, and ensuring that appropriate procedures exist to assess and review the performance of the Chairman, Non-executive Directors, senior executives (including senior and key officers of the Company) in Board committees and the Board as a whole.

The key purpose of the remuneration function is to provide advice, recommendations and assistance to the Board in relation to the Company's remuneration policies and remuneration packages of senior management, Executive Directors and Non-executive Directors.

The role and responsibilities, composition, structure and membership requirements of the Committee are documented in a Nomination and Remuneration Committee Charter approved by the Board.

On Listing, the Nomination and Remuneration Committee will initially comprise:

- Les Szekely (Chair);
- Craig Shapiro; and
- Carlos Gil.

The Nomination and Remuneration Committee Charter provides that the committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members. The Committee will meet at least two times each financial year.

6.4.5 CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies (to take effect upon commencement of trading on the ASX), each having been prepared having regard to the ASX Recommendations.

6.4.5.1 SECURITIES DEALING POLICY

Microequities has a Securities Dealing Policy for Directors, employees and contractors of Microequities. The policy requires that Directors, employees and contractors of the Company in possession of price sensitive information must not at any time deal in securities of the Company, or advise or suggest another person do so, or communicate the price sensitive information to a person who may deal in securities of the Company.

The Securities Dealing Policy requires Directors and key management personnel to obtain approval prior to dealing in any Microequities securities. Subject to compliance with insider trading laws, the policy allows Microequities' personnel to trade in Microequities securities at any time, except during either (i) the period following 31 December and 30 June up to the time of the announcement of the Company's half year or annual financial results to ASX respectively or (ii) any other period designated by the Board. In the case of any securities that are Options, personnel may exercise those Options at any time, but the resulting Shares must be traded by personnel in accordance with the other terms of the Securities Dealing Policy.

Microequities' personnel may be permitted to trade in Microequities securities during any closed period if there are exceptional financial circumstances, and the Company's compliance officer approves of those circumstances, subject in all cases to compliance with insider trading laws. The Securities Dealing Policy also prohibits Directors and key management personnel from engaging in short-term dealing in securities of the Company.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

Directors and employees may take out margin loans over their holdings in Microequities securities. However, they must not allow a margin call to be met by the sale of Microequities securities at a time when they would not have been able to sell those securities themselves under the Securities Dealing Policy.

6.4.5.2 PRICE SENSITIVE INFORMATION POLICY

Microequities' Price Sensitive Information Policy is designed to ensure compliance with the ASX Listing Rules disclosure requirements and imposes obligations and procedures on all Directors and employees of the Company to ensure the timely and balanced disclosure of all material matters concerning the Company. The Price Sensitive Information Policy includes vetting and authorisation processes designed to ensure that Microequities' information:

- if required to be disclosed, is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner.

The Price Sensitive Information Policy is also designed to establish internal procedures so that all Directors and employees of the Company understand their obligations to ensure confidential information is protected and Price Sensitive Information is disclosed to the Disclosure Officer (as defined in the Price Sensitive Information Policy).

6.4.5.3 CODE OF CONDUCT

The Board has approved a Code of Conduct to guide compliance with legal and other obligations to the Company's stakeholders and which sets ethical standards for Microequities' personnel and reflects the Directors' intention to ensure that the duties and responsibilities of all staff of the Company are performed with the utmost integrity. The Company considers its stakeholders to be employees, shareholders, creditors, customers, suppliers, contractors, consultants, governmental and non-governmental organisations, the communities where the Company or its subsidiaries operate and other parties that have influence over or are influenced by the Company or its subsidiaries.

The Code of Conduct deals with the following principal areas:

- integrity and professionalism;
- compliance with the law;
- conflicts of interest;
- confidential information;
- inside information;
- benefits to group personnel including executives;
- protection and proper use of company assets;
- responsibilities to Shareholders and the financial community;
- employment practices; and
- responsibilities to the community.

6.4.5.4 SHAREHOLDER COMMUNICATION AND PARTICIPATION POLICY

Microequities' Shareholder Communication and Participation Policy is designed to facilitate full and open communication with its shareholders and observing the highest standards in corporate governance and shareholder communications. The policy outlines the Company's policy of shareholder communications and the processes which the Company has in place to facilitate and encourage participation at shareholder meetings.

The aim of this Policy is to nurture the loyalty and confidence of the Company's shareholders through frequent, full and forthright communication, both directly to shareholders and indirectly through analysts and the media. The Company seeks to ensure that each Shareholder interaction with the Company meets the highest levels of professionalism and quality.

6.4.5.5 DIVERSITY POLICY

Microequities has adopted a Diversity Policy which sets out Microequities' commitment to diversity and inclusion in the workplace. Under the Diversity Policy Microequities recognises other diversity grounds and commits to not discriminate against individuals on a number of grounds including race, impairment, parental status, religious beliefs and political beliefs. Under the Diversity Policy the Company states that, as a principle, it will not tolerate discrimination, harassment, vilification or victimisation in the workplace.

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

6.4.6 DEPARTURE FROM THE ASX RECOMMENDATIONS

ASX PRINCIPLES AND RECOMMENDATIONS	SUMMARY OF POSITION FOR MICROEQUITIES
<p>Recommendation 1.5:</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> a. have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b. disclose that policy or a summary of it; and c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ol style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act. 	<p>Microequities has adopted a Diversity Policy as summarised in Section 6.4.5.5. The Board fully supports all kinds of diversity; however, the Board has determined that for the time being the policy will not include measurable objectives against which Microequities will report on an annual basis. Due to the size of the Company, the Board does not consider it appropriate to adopt such measurable objectives or set targets at this time.</p>
<p>Recommendation 2.1:</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> a. have a nomination committee which: <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>Due to the current structure and composition of the Board, the Nomination and Remuneration Committee is not comprised of a majority of independent Directors and so Microequities is unable to fully comply with Recommendation 2.1. Microequities is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 2.1 will not be detrimental to Microequities.</p>

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

ASX PRINCIPLES AND RECOMMENDATIONS	SUMMARY OF POSITION FOR MICROEQUITIES
<p>Recommendation 2.4:</p> <p>The majority of the board of a listed entity should be independent directors.</p>	<p>The Board considers that a board comprising four members with the relevant skills of each member is sufficient for the time being for a company of the size and nature of Microequities. However, due to the current structure and composition of the Board, where only one Director out of four Directors is considered independent, Microequities is unable to fully comply with Recommendation 2.4. Microequities is satisfied that the current number of independent Directors on the Board will not be detrimental to Microequities.</p>
<p>Recommendation 4.1:</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none"> a. have an audit committee which: <ol style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: <ol style="list-style-type: none"> 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<p>Due to the current structure and composition of the Board, the Audit and Risk Management Committee is not comprised of a majority of independent Directors and so Microequities is unable to fully comply with Recommendation 4.1. Microequities is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 4.1 will not be detrimental to Microequities.</p>

6 KEY INDIVIDUALS AND CORPORATE GOVERNANCE

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ASX PRINCIPLES AND RECOMMENDATIONS	SUMMARY OF POSITION FOR MICROEQUITIES
<p>Recommendation 7.1:</p> <p>The board of a listed entity should:</p> <p>a. have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Due to the current structure and composition of the Board, the Audit and Risk Management Committee is not comprised of a majority of independent Directors and so Microequities is unable to fully comply with Recommendation 7.1. Microequities is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 7.1 will not be detrimental to Microequities.</p>
<p>Recommendation 8.1:</p> <p>The board of a listed entity should:</p> <p>a. have a remuneration committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b. if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Due to the current structure and composition of the Board, the Nomination and Remuneration Committee is not comprised of a majority of independent Directors and so Microequities is unable to fully comply with Recommendation 8.1. Microequities is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 8.1 will not be detrimental to Microequities.</p>

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DETAILS OF THE OFFER

7 DETAILS OF THE OFFER

7.1 THE OFFER

The Offer is for 23,726,865 Shares on the terms set out in this Prospectus. The Offer comprises the sale of 23,726,864 Shares by SaleCo and the issue of one Share by Microequities.

Key terms of the Offer are set out in the Key Offer Information section on page 6 and Section 1.8. These terms are operative and are not necessarily repeated in this Section 7.

The Offer opens, and is expected to close, on the dates set out in the Key Offer Information section on page 6. Without notice, the Offer or any part of it may close early, may be extended, or late Applications may be accepted either generally or in particular cases. Applicants are therefore encouraged to submit their Applications as early as possible.

The Offer consists of:

- the **General Offer** which is open to the public; and
- the **Priority Offer** which is available to current Clients or Wholesale and Sophisticated Investors who have submitted an application to Microequities to become Clients together with cleared funds for their investment in the qualifying Funds (being DVF, HIMF, GVMF and PMVF) by 18 April 2018.

A fixed number of Shares is being offered under the Offer.

7.2 PURPOSE OF THE OFFER

The purpose of the Offer is to:

- facilitate the Listing;
- provide an opportunity for Microequities' Clients to join the Company as shareholders and solidify the commercial bond between the Company and its Clients;
- provide an opportunity to the general public to become Shareholders in a growing funds management business; and
- improve awareness of the Microequities brand in the investment community through being listed on the ASX.

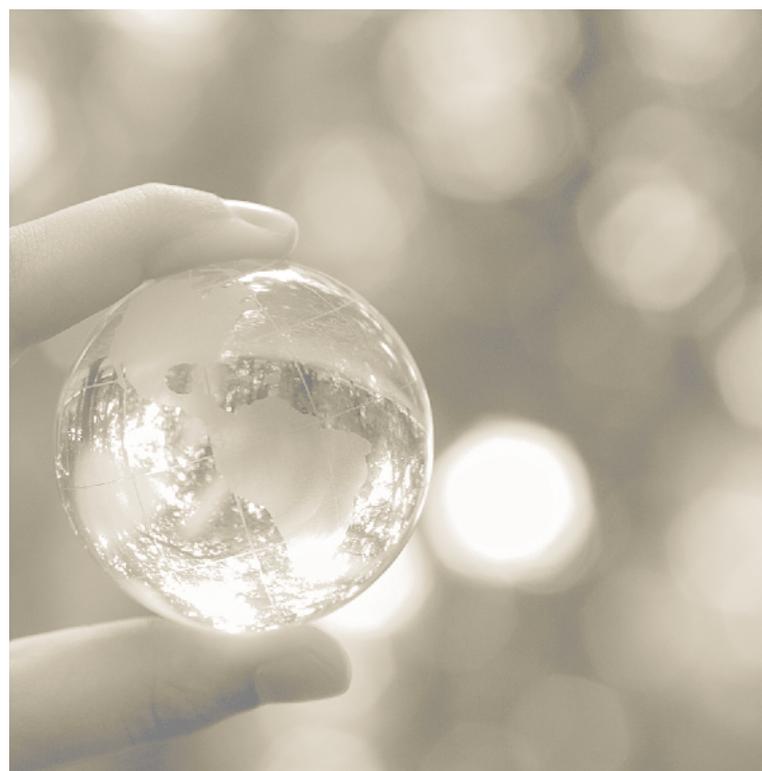
This Prospectus is also issued for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company pursuant to the Employee Share Trust Plan.

7.3 MINIMUM APPLICATIONS

The Offer is conditional upon Applications being received for a minimum 17,003,782 Shares to allow the Company to achieve the requisite Free Float required under the ASX Listing Rules. If Applications for less than that number of Shares are not received within 4 months after the date of this Prospectus (or any longer period permitted by law) then, the Offer will not proceed, and all Application Monies will be returned to Applicants (without interest) in accordance with the Corporations Act.

7.4 PROCEEDS

Microequities is not Listing for capital raising purposes. The Offer is to facilitate the ASX Free Float and shareholder spread requirements on Listing. The proceeds of the Offer (other than the proceeds from the issue of one Share by Microequities) will go to the Selling Shareholders for the sale of their Shares.



7 DETAILS OF THE OFFER

7.5 OWNERSHIP STRUCTURE

Microequities' ownership structure after Completion will be:

	PRE-IPO SHAREHOLDING (# OF SHARES)	PRE-IPO SHAREHOLDING (% OF SHARES)	# OF SHARES BOUGHT / (SOLD) UNDER THE OFFER	POST-IPO SHAREHOLDING (# OF SHARES)	POST-IPO SHAREHOLDING (% OF SHARES) ²
Selling Shareholders ¹	118,634,320	89.2%	-23,726,864	94,907,456	71.4%
Other Directors + key employees	4,719,920	3.6%	0	4,719,920	3.5%
Other Shareholders ^{1,4}	9,583,832	7.2%	23,726,865	33,310,697	25.1%
Total	132,938,072	100.0%	1	132,938,073	100.0%

1. Assumes that no Selling Shareholder applies for additional Shares under the Offer and all the Shares offered are sold in the Offer. If only the minimum Applications for 17,003,782 Shares are received, the shareholding post-IPO for the Selling Shareholders will be 76.4%.

2. Not diluted for the exercise of 2,713,200 Options on issue.

3. Figures are rounded

4. Includes the one Share to be issued by Microequities under this Prospectus for legal reasons.

7.6 CONTROL IMPLICATIONS OF THE OFFER

An entity controlled by Carlos Gil, the CEO and CIO, will hold approximately 40% of the issued capital of Microequities if the Offer is fully subscribed and approximately 43% of the issued capital of Microequities if only the minimum subscription is achieved.

Such a shareholding is not in itself sufficient to pass ordinary resolutions of Microequities and Carlos will only be one Director out of four on the Board. However, Carlos would be able to block special resolutions proposed at a general meeting of Shareholders and he will be able to exert influence over future Shareholder resolutions by virtue of his substantial shareholding.

7.7 NATURE OF APPLICATIONS AND REQUIREMENTS

Applications must comply with this Prospectus and the instructions accompanying the Application Form. An Application is an offer by the Applicant to apply for all or any of the number of Shares specified in the Application Form, at the Offer Price on the terms set out in this Prospectus. To the extent permitted by law, an Application is irrevocable. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants.

7 DETAILS OF THE OFFER

7.8 POWERS IN RELATION TO APPLICATIONS

There is no assurance that any Applicant will be allocated the number of Shares for which the Applicant has applied. Microequities may in its absolute discretion, without notice to any Applicant and without giving any reason:

- withdraw the Offer at any time before the transfer or issue of Shares to successful Applicants;
- decline an Application;
- accept an Application for its full amount or any lower amount;
- determine a person to be eligible or ineligible to participate in any part of the Offer;
- waive or correct any errors made by an Applicant in completing their Application Form;
- amend or waive the Offer application procedures or requirements in compliance with applicable laws; or
- aggregate any Applications that they believe may be multiple Applications from the same person.

7.9 ALLOCATION POLICY

The allocation of Shares under the Offer will be determined by Microequities. Microequities has absolute discretion regarding the basis of allocation of Shares among Applicants including discretion to scale back any Application or to not transfer or issue Shares to an Applicant.

The Priority Offer is available to current Clients or Wholesale and Sophisticated Investors who have submitted an application to Microequities to become Clients together with cleared funds for their investment in the qualifying Funds (being DVF, HIMF, GVMF and PMVF) by 18 April 2018.

Applicants who apply under the Priority Offer will be guaranteed a minimum allocation of Shares under the Offer, subject to Applications being received for a minimum 17,003,782 Shares.

The allocation policy for the Priority Offer will be influenced by the FUM a Client has in the qualifying Funds (being DVF,

HIMF, GVMF and PMVF) as at 18 April 2018. Accordingly, Clients who increase their FUM prior to this date will be treated more favourably in the allocation process if the Offer is oversubscribed. Applicants who have funds under management with Microequities are likely to be given a higher allocation than Applicants in the General Offer.

Allocation will also take into account the Company's need to satisfy the ASX shareholder spread requirements for Listing.

7.10 APPLICATION MONIES

Application Monies received will be held in a special purpose bank account until Shares are transferred or issued to successful Applicants. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be refunded all or part of their Application Monies by cheque or electronic funds transfer, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained.

7.11 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

7 DETAILS OF THE OFFER

7.12 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.12.1 APPLICATION TO THE ASX FOR LISTING OF MICROEQUITIES AND QUOTATION OF SHARES

Microequities has applied for admission to the Official List and quotation of the Shares on the ASX within seven days of the Original Prospectus Date.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Microequities to the Official List is not to be taken as an indication of the merits of Microequities or the Shares offered for sale.

It is expected that quotation of the Shares on ASX will be on a normal settlement basis on or around 30 April 2018.

Completion of the Offer is conditional on ASX providing in-principle approval for Microequities' admission and quotation.

If the Shares are not admitted to quotation on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Microequities from time to time), on Listing, Microequities will be required to comply with the ASX Listing Rules.

7.12.2 CHESS AND ISSUER SPONSORED HOLDINGS

Microequities will apply to participate in the Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in electronic form.

When the Shares become approved financial products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) for issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements at the end of each month or if there has been a change to their shareholding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker (in the case of a holding on the CHESS sub-register) or through the Registry (in the case of a holding on the issuer sponsored sub-register). The Registry may charge a fee for these additional statements.

7.12.3 SELLING SHARES BEFORE RECEIVING A HOLDING STATEMENT

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Microequities, SaleCo and the Registry disclaim all liability, whether in negligence or otherwise if you sell Shares before receiving a holding statement.

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INVESTIGATING ACCOUNTANT'S REPORT

8 INVESTIGATING ACCOUNTANT'S REPORT



Board of Directors
Microequities Asset Management Group Limited
Suite 3105, Level 31 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

15 March 2018

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (BDO) has been engaged by Microequities Asset Management Pty Limited (the Company) to prepare this Investigating Accountant's Report (Report) in relation to certain financial information of Microequities Asset Management Group Limited (Microequities or the Group), for the Initial Public Offering of shares in the Group, for inclusion in a prospectus proposed to be issued on or about March 2018 (Prospectus).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

HISTORICAL FINANCIAL INFORMATION

Statutory historical financial information

This Report relates to the following Financial Information as set out in Section 4 of the Prospectus:

- statutory historical consolidated statements of comprehensive income for the years ended 30 June 2016 (FY16), 30 June 2017 (FY17) and the six months ended 31 December 2016 (1H17) and 31 December 2017 (1H18) (together Statutory Historical Results);
- statutory historical consolidated statements of cash flow for FY16, FY17, 1H17 and 1H18 (together Statutory Historical Cash Flows); and
- statutory historical consolidated statement of financial position as at 31 December 2017 (Statutory Historical Statement of Financial Position),

(together, the Statutory Historical Financial Information).

You have engaged BDO to review the Statutory Historical Financial Information of Microequities (listed above) included in the Prospectus.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from:

- the special purpose financial report of Microequities for the periods ended 30 June 2016 and 30 June 2017, which was audited by Prosperity Advisers Audit Services Pty Ltd in accordance with the Australian Auditing Standards; and
 - the general purpose financial report of Microequities for the periods ended 31 December 2016 and 31 December 2017 which was reviewed by Prosperity Advisers Audit Services Pty Ltd in accordance with the Australian Auditing Standards.
-

8 INVESTIGATING ACCOUNTANT'S REPORT

Prosperity Advisers Audit Services Pty Ltd issued an unmodified audit opinion in all periods. The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

PRO FORMA FINANCIAL INFORMATION

Pro Forma historical financial information

You have engaged BDO to review the following pro forma financial information included in the Prospectus:

- Pro forma historical consolidated statements of comprehensive income for FY16, FY17, 1H17 and 1H18 (Pro Forma Historical Results);
- Pro forma historical statements of cash flows for FY16, FY17, 1H17 and 1H18 (Pro Forma Historical Cash Flows); and
- Pro forma historical statement of financial position as at 31 December 2017 (Pro Forma Historical Statement of Financial Position).

(together, the Pro Forma Historical Financial Information)

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Microequities, after adjusting for the effects of pro forma adjustments described in section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and cash flows.

Directors' Responsibility

The directors of Microequities are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Review statement on the Historical and Pro Forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information and Pro Forma Historical Financial Information for the periods ended FY16, FY17, 1H17 and 1H18, are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4 of the document.

8 INVESTIGATING ACCOUNTANT'S REPORT

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of Microequities not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO performs the audit of the closed end funds managed by Microequities Asset Management Pty Limited for which normal professional fees are received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD



Sebastian Stevens

Director

8 INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 1: FINANCIAL SERVICES GUIDE

Dated: 15 March 2018

This Financial Services Guide is issued in relation to an independent limited assurance report (**IAR**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDO**) at the request of the Directors of Microequities Asset Management Group Limited (Microequities).

ENGAGEMENT

The IAR is intended to accompany the prospectus proposed to be issued by Microequities in March 2018 (PDS).

FINANCIAL SERVICES GUIDE

BDO holds an Australian Financial Services Licence (License No: 247420) (**Licence**).

As a result of our IAR being provided to you BDO is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

FINANCIAL SERVICES BDO IS LICENSED TO PROVIDE

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the IAR in connection with the issue of securities of another person.

Our IAR includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IAR (as a retail client) because of your connection with the matters on which our IAR has been issued.

Our IAR is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IAR.

GENERAL FINANCIAL PRODUCT ADVICE

BDO Corporate Finance does not accept instructions from retail clients. BDO Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. BDO Corporate Finance does not provide personal retail financial product advice to retail investors nor does

it provide market-related advice to retail investors.

We provide general advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us.

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

BENEFITS THAT BDO MAY RECEIVE

BDO will receive a fee based on the time spent in the preparation of the IAR in the amount of approximately \$35,000 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the proposed transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the transaction.

REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IAR was provided.

REFERRALS

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the IAR on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (**ASIC**).

COMPLAINTS RESOLUTION

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3 Melbourne VIC 3001
Toll free: 1300 78 08 08
Email: info@fos.org.au

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MATERIAL CONTRACTS

9 MATERIAL CONTRACTS

9.1 MANAGEMENT OF THE FUNDS

The Funds are each governed by a constituent document governing the operation and mechanics of the given Fund, and entitling the Responsible Entity of each Fund (Microequities Asset Management Pty Ltd) to manage the Fund and to derive income from those management activities.

9.1.1 TRUST DEEDS AND CONSTITUTIONS

The material terms of the documents governing all Funds other than the MVCF are summarised below:

<p>Defined terms</p>	<p>Member: a person whose name is entered on the register as the holder of a unit in the Trust</p> <p>Responsible Entity: Microequities Asset Management Pty Ltd ACN 134 984 768</p> <p>Trust: the trust constituted by the constituent document in respect of the Scheme Assets</p> <p>Scheme: the managed investment scheme established by the constituent document</p> <p>Scheme Assets: all cash, property, rights and income of the Trust from time to time</p> <p>Unit: an undivided share in the beneficial interest in the Scheme Assets as provided in the constituent document</p>
<p>Remuneration of the Responsible Entity</p>	<p>The Responsible Entity is entitled to be paid:</p> <p>a) a management fee of up to 3% per annum of the net asset value (determined in accordance with Australian accounting principles) of the Scheme Assets (less the liabilities of the Scheme at that time) calculated monthly. The management fee accrues on a daily basis and is payable within 14 days of the end of each month (for Open-ended Funds) and 6-monthly period (for Close-ended Funds) out of Scheme Assets; and</p> <p>b) the applicable Performance Fee (if any) calculated in accordance with the terms of the constituent document and based, in part, on the value of Units at that time.</p> <p>For those Funds that are Close-ended Funds, the Responsible Entity is also entitled to be paid a fee of up to 30% of any dividend income accrued or received by the Close-ended Fund.</p> <p>Subject to the law, the Responsible Entity has an absolute discretion to accept lower fees than it is entitled to under the constituent document or otherwise waive or defer for any period it considers appropriate the amount of any fees payable to it or the reimbursement of any or all expenses.</p> <p>The fees charged by the Responsible Entity are currently lower than those set out in the applicable constituent documents for the Funds. The actual fees are set out in the Fund information memorandums provided to Investors prior to making an investment into a Fund (see Section 4.3.3.3 for details of fees charged).</p>
<p>Responsible Entities indemnity</p>	<p>The Responsible Entity is indemnified and is entitled to be reimbursed out of the Scheme Assets for, or pay from the Scheme Assets, all liabilities and losses incurred by it in relation to the proper performance of its duties and exercise of its powers in relation to the operation, administration and management of the Scheme or otherwise in connection with the Scheme. The rights of indemnity and reimbursement shall continue in favour of the Responsible Entity after it has ceased to be the Responsible Entity to the Scheme.</p> <p>The Responsible Entity's right to indemnity and reimbursement under the constituent document and at law apply even if at any time the liabilities of the Scheme exceed the value of the Scheme Assets.</p>

9 MATERIAL CONTRACTS

Limits on liability of the Responsible Entity	<p>The Responsible Entity is not liable in contract, tort, under statute or otherwise to any Member for any loss or damage to the Scheme Assets (or any part of it) regardless of when or how that loss or damage has arisen, except in respect of any loss or damage, to the extent that loss or damage is caused by the actual fraud or gross negligence or wilful default of the Responsible Entity.</p> <p>The Responsible Entity is not liable to any person who is not a Member and nor will that person be entitled to enforce any rights against the Responsible Entity to any greater extent that the Responsible Entity is entitled to recover through its right of indemnity from and is in fact indemnified from the Scheme Assets.</p>
Termination of the Trust	<p>The Trust terminates on the earliest of:</p> <ol style="list-style-type: none"> the date specified by the Responsible Entity as the date that the Scheme is to terminate in a notice given to Members; the Members fix a date of termination, or resolve to terminate the Scheme, by a resolution that has been passed at a meeting on a poll by a special resolution; and the occurrence of an event requiring the winding up of the Scheme under a provision of the Corporations Act or any other applicable law.
Removal of the Responsible Entity	<p>The Responsible Entity must retire when required by law and otherwise may retire on not less than 14 days' notice to the Members. The Responsible Entity may appoint in writing the replacement responsible entity from retirement.</p>

9.1.2 LIMITED PARTNERSHIP DEED

The material terms of the Limited Partnership Deed establishing the Microequities Venture Capital Fund Managing Partnership LP (**VCLP**) are summarised below. VCLP acts as general partner of the MVCF.

Parties	<p>Microequities Venture Capital Pty Limited ACN 612 092 430 (General Partner), Microequities Asset Management Pty Ltd ACN 134 984 768 (Microequities) and Equity Venture Partners Pty Ltd ACN 600 735 626 as trustee of the EVP Trust (EVP Trust), each of Microequities and EVP Trust, a Limited Partner</p> <p><i>Note: 50% of the shares in Equity Venture Partners Pty Ltd ACN 600 735 626 are held by Bellite Pty Ltd ACN 056 441 386 of which Les Szekely is a controller.</i></p>
Entitlement to assets and distributions	<p>The Limited Partners are entitled to the net assets of the VCLP from time to time as follows:</p> <ol style="list-style-type: none"> after payment of, or provisioning for, liabilities of the VCLP, all management fees received by the VCLP as general partner of the MVCF (net of costs), will be distributed to the Limited Partners in equal proportions; after provisioning for liabilities of the VCLP, all amounts received by the VCLP as a distribution to the general partner of the MVCF (Fee Amount) will be distributed to the Limited Partners in a ratio which is determined based on the internal rate of return of MVCF; and after payment of, or provisioning for, liabilities of the VCLP, all other amounts received by the VCLP will be distributed to the Limited Partners in equal proportions.

9 MATERIAL CONTRACTS

Indemnities	The liability of each Limited Partner to contribute to the debts or obligations of the VCLP is not to exceed \$10.00.
Assignment	<p>No additional interest shall be issued in the VCLP without the prior written consent of the Limited Partners and no change, variation or modification of the entitlements of the Limited Partners may be introduced or applied without the prior written consent of the Limited Partners.</p> <p>Unless each of the Limited Partners has otherwise given its prior written consent, a Limited Partner may not transfer, assign or otherwise deal with its interest as Limited Partner of the VCLP.</p> <p>Unless each of the Limited Partners has otherwise given its prior written consent, the General Partner may not transfer, assign or otherwise deal with its interest as General Partner of the VCLP and must carry out its role as General Partner of the VCLP for the term of the VCLP.</p>
Termination Rights	If the Partners unanimously agree, the VCLP may be voluntarily wound-up. The General Partner may do all things necessary to wind-up the VCLP.

9.2 AUSTRALIAN FINANCIAL SERVICES LICENCE (AFSL)

Microequities was licensed as an Australian Financial Services Licensee pursuant to section 913B of the Corporations Act.

The AFSL authorises Microequities to carry on a financial services business to provide general product advice for securities and its own managed investment schemes, deal in financial products, and operate custodial or depository services other than investor directed portfolio services to retail and wholesale clients.

The material conditions of the AFSL that are applicable to Microequities' current operations include the following:

- If Carlos Gil ceases to be an officer of the Microequities or to perform duties on behalf of Microequities with respect to its financial services business, Microequities must notify ASIC in writing of the prescribed matters set out in the terms of the AFSL within five business days.
- Microequities must lodge an audit opinion with ASIC as prescribed by the terms of the AFSL.

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ADDITIONAL INFORMATION

10 ADDITIONAL INFORMATION

10.1 REGISTRATION

Microequities was registered in New South Wales on 1 September 2004 as a private company and converted to a public company on 13 February 2015.

10.2 SELLING SHAREHOLDERS

Prior to the Offer, all Pre-IPO Shareholders were offered the opportunity to participate in the Offer. To facilitate the sale of any Shares under the Offer by those Pre-IPO Shareholders, SaleCo, a special purpose vehicle, was established to sell the Shares of the Pre-IPO Shareholders who wished to participate. Ultimately, only the three largest shareholders have committed to offer approximately 23.7 million Shares for sale through the Offer via SaleCo with the sole purpose of satisfying the ASX free float and shareholder spread requirements for Listing.

The Existing Shares that SaleCo acquires from the Selling Shareholders under a sale deed between the Selling Shareholders and SaleCo will be transferred to successful Applicants at the Offer Price under the Offer on Completion free from encumbrances and third party rights. The price payable by SaleCo to Selling Shareholders for those Shares is the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the sale deed described above. Sam Gutman is the sole shareholder and sole director of SaleCo. The Company has indemnified SaleCo, and the director of SaleCo, for any loss that SaleCo, or the director of SaleCo, may incur as a consequence of the Offer, to the extent that such loss is not reimbursed by SaleCo or not covered by the Director's and Officer's liability insurance effected by Microequities, and only to the extent permitted by law.

10.3 SHARE SUB-DIVISION

At a general meeting of shareholders of Microequities held on 16 February 2018, a resolution was passed to undertake a sub-division of each of Microequities then existing shares so that the price of Shares would be a more meaningful amount for new Share Investors. In accordance with section 254H of the Corporations Act, the Company sub-divided each then existing fully paid ordinary share in the capital of the Company into 328 fully paid ordinary Shares.

10.4 EMPLOYEE EQUITY PLANS

10.4.1 EMPLOYEE INCENTIVE PLAN

Microequities operates an employee incentive plan under which the Company has issued Shares to certain key employees of the Company. There are currently two remaining members of this plan. The key terms of issue of the Shares issued under the Plan are set out in Section 6.3.3.

10.4.2 EMPLOYEE SHARE TRUST PLAN (ESTP)

The Company has established the ESTP to deliver long term incentives and in order to assist in the motivation, retention and reward of certain key employees. The ESTP is designed to align the interest of key employees more closely with the interest of Shareholders by providing an opportunity for key employees to receive an equity interest in the Company by the grant of Share Units in the Microequities Employee Share Trust (**Share Trust**). Each Share Unit entitles the holder to one Share subject to the satisfaction of certain long term performance conditions.

10 ADDITIONAL INFORMATION

The key terms of the ESTP are as follows:

TERM	MEANING
Eligibility	Participants must be a permanent employee or an executive director of the Company (Eligible Employee).
Plan structure	<p>Unit Trust whereby Eligible Employees are issued with Share Units in the Share Trust.</p> <p>The intention is that one Share Unit will be referable to one Share.</p> <p>The trustee of the Share Trust (Trustee) is a wholly owned subsidiary of the Company that has no beneficial interest in the Share Trust.</p>
Nature of award	<p>Eligible Employees will be issued with Share Units, the terms of which are set out in the deed establishing the Share Trust and as set out in a separate offer letter that outlines their terms of issue (Terms of Issue).</p> <p>The Trustee, in conjunction with the Board, has the discretion to set the terms and conditions under which it will offer Share Units under the ESTP, including the vesting conditions and waiver of the terms and conditions.</p> <p>The Board may determine that the Share Units will be subject to vesting conditions and, if so, will specify those vesting conditions in the Terms of Issue. Vesting conditions may include conditions relating to continuous employment, performance of the Eligible Employee or the Group or the occurrence of specific events.</p>
Share Units	<p>Upon satisfaction of the relevant vesting conditions, an Eligible Employee may request the Trustee to cancel its Share Units, and on cancellation the Trustee (at its election) will either:</p> <ul style="list-style-type: none"> • make an <i>in-specie</i> distribution to the Eligible Employee of the Shares that are referable to each vested Share Unit; or • pay to the Eligible Employee in cash, the market value of each Share that is referable to each vested Share Unit (less costs and expenses). <p>Share Units do not carry any voting rights to the underlying Shares unless specifically set out in the Terms of Issue.</p>
Shares	Shares distributed to Eligible Employees upon cancellation of their Share Units will rank equally with the other issued Shares in the capital of the Company and carry the same rights as to dividends and voting entitlements.
Quotation	If the Shares are officially quoted on the ASX at the time of distribution of those Shares to Eligible Employee (out of the Share Trust) under the terms of the ESTP, the Company will apply for official quotation of any Shares, in accordance with the ASX Listing Rules and having regard to any disposal restrictions that may apply.
Cessation of employment	If an Eligible Employee ceases to be employed by a Group member prior to the vesting requirements being satisfied, all unvested Share Units will be cancelled by the Trustee for nil. However, the Trustee may, in its sole discretion, treat some Share Units as vested and others as unvested by reference to the satisfaction (or non-satisfaction) of any vesting conditions as set out in the Terms of Issue.
Change of control	In the event of a change of control transaction involving the Company, all of his / her unvested Share Units will be deemed to vest.
Restrictions	Share Units are non-transferrable.
Amendments	The Trustee may vary the terms of the Share Trust in its sole discretion. However, where such a change would adversely affect the rights of the holders of Share Units, any such amendment will require consent from the holders of 75% of the Share Units.

10 ADDITIONAL INFORMATION

10.5 DIVIDEND REINVESTMENT PLAN

The Board has approved a dividend reinvestment plan (**DRP**). Microequities will determine when it may be appropriate to activate the **DRP**. The rules of the **DRP** are typical of a **DRP** operated by an ASX-listed company. Shareholders who elect to participate in the **DRP** will be able to reinvest the dividends they are entitled to receive by subscribing for further Shares rather than receiving those dividends in cash. Shareholders may choose to participate in the **DRP** in respect of some or all of their Shares, although Microequities may specify a minimum and / or maximum number of Shares that are able to participate in the **DRP** from time to time. The **DRP** may be modified, suspended, recommenced or terminated by Microequities at any time, according to the rules of the **DRP**.

Shareholders who are not resident in Australia may not be eligible to participate in the **DRP**, except where Microequities is satisfied that it would be lawful and practicable for them to do so. The Board will determine eligibility to participate in the **DRP** as it sees fit, having regard to the criteria in the **DRP** rules.

If and when the **DRP** is activated, a copy of the **DRP** rules will be made available to Shareholders in advance of the record date for the first dividend payable by Microequities after the activation of the **DRP** and a copy of the **DRP** rules will be made available on Microequities' website at <http://microequities.com.au/> at that time.

10.6 SUMMARY OF RIGHTS AND LIABILITIES OF SHARES AND OTHER KEY TERMS OF THE CONSTITUTION

10.6.1 INTRODUCTION

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

Summaries of the significant rights and liabilities attaching to the Shares and of the other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Microequities is admitted to the Official List.

10.6.2 RIGHTS ATTACHING TO SHARES

The rights attaching to the Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

10.6.3 VOTING

At a general meeting, every Shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands, every Shareholder present or a proxy, attorney or representative of a Shareholder has one vote; and on a poll, every Shareholder present or a proxy of a Shareholder has one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). If a Shareholder is present at any meeting of the Company and any one or more proxy for such Shareholder is also present, or if more than one proxy for a Shareholder is present at any meeting, then no such proxy is entitled to vote on a show of hands and on a poll the vote of each one is of no effect unless such person is appointed to represent such specified proportion of the Shareholder's voting rights.

If the votes are equal on a proposed resolution at a general meeting, the chairperson of the meeting has a casting vote.

10.6.4 DIVIDENDS

Subject to the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may pay any interim and final dividends as appear to the Directors to be justified subject to the requirements of the Corporations Act.

See Section 4.10 for the Company's dividend policy.

10.6.5 ISSUE OF FURTHER SHARES

The Board (subject to the Constitution, the ASX Listing Rules and the Corporations Act) has the right to grant options or other securities with rights of conversion to Shares or pre-emptive rights to any Shares for any consideration as the Board decides.

10.6.6 VARIATION OF CLASS RIGHTS

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares (or any other class of security of the Company on issue). The rights attached to a class of securities may be varied or cancelled by:

- the holders of at least 75% of the issued securities in the class consenting in writing; or
- a special resolution passed at a separate meeting of the holders of securities in that class.

10 ADDITIONAL INFORMATION

10.6.7 TRANSFER OF SHARES

Subject to the Constitution, Shares may be transferred in accordance with a written transfer in any usual form or in any other form approved by the Board. The Company may participate in any computerised or electronic system for market settlement, security transfer and registration in which the Corporations Act permits the Company to participate. If the Company participates in such a system, then Shares or other securities may be transferred, and transfers may be registered, in any manner required or permitted by the rules applying in relation to the system. The Board may refuse to register a transfer of Shares in accordance with the Corporations Act or the ASX Listing Rules.

10.6.8 GENERAL MEETING AND NOTICES

Each Shareholder is entitled to receive notice of, attend and vote, at general meetings of Microequities and to receive all notices, reports, and audited accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules.

10.6.9 WINDING UP

Subject to the Constitution, if Microequities is wound up, the liquidator may, with the sanction of a special resolution, divide the whole or part of Microequities' property among Shareholders and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

10.6.10 UNMARKETABLE PARCELS

The Company may sell or dispose of an Unmarketable Parcel of Shares (meaning a number of shares which is less than that required to constitute a marketable parcel) if they were created by the transfer of a parcel of Shares that was an Unmarketable Parcel at the time a proper transfer of the Shares occurred.

10.6.11 DIRECTORS – APPOINTMENT AND REMOVAL

Under the Constitution, the Board is comprised of not less than three Directors and a maximum of six Directors, unless the Shareholders pass a resolution varying that number at a general meeting.

No Director (excluding any director appointed as managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. At each annual general meeting, one-third of the Directors, or if their number is not 3 nor a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (excluding any managing director), must retire from office. The Board may also appoint a Director either as an addition to the existing Directors or to fill a casual

vacancy on the Board, and that Director will then hold office until the next annual general meeting of Microequities.

10.6.12 DIRECTORS – VOTING

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.

10.6.13 DIRECTORS – REMUNERATION

The Directors will be paid out of the funds of the Company, by way of remuneration for their services as Directors, a sum not exceeding the aggregate amount in any financial year as fixed by a resolution passed at a general meeting of the Company. This amount is currently fixed at \$300,000 per annum.

On Listing, the annual base non-executive Director fees currently agreed to be paid by Microequities are \$45,000 to the Chairperson and \$40,000 to each other non-executive Director, including for any committee roles. The Director fees are inclusive of statutory superannuation contributions. Executive Directors do not receive additional remuneration in connection with their directorship. No non-executive Director will be paid as part or whole of his or her remuneration a commission on, or a percentage of, profits or operating revenue, and no executive Director will be paid as whole or part of his or her remuneration a commission on or percentage of operating revenue.

Directors may be paid for travel and other expenses properly incurred in attending, participating in and returning from meetings of Directors or committees or general meetings or otherwise in connection with the business of the Company. The Company may remunerate a Director who is called upon to perform extra services in going or residing abroad or otherwise for the Company.

Details of the remuneration of the Directors are set out in Section 6.3.3.

10.6.14 POWERS AND DUTIES OF DIRECTORS

The business of Microequities is managed by the Board, which (in addition to the powers and authorities conferred on it by the Constitution and subject to the Corporations Act and the ASX Listing Rules) may exercise all powers of the Company that are not required by law or by the Constitution to be exercised by Microequities in general meeting.

10.6.15 INDEMNITY

Under the Constitution, except as may be prohibited by sections 199A and 199B of the Corporations Act, the Company agrees to indemnify every Officer, auditor or agent

10 ADDITIONAL INFORMATION

of the Company out of the property of the Company against any liability incurred by them in their capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

10.6.16 PREFERENCE SHARES

Microequities may issue preference shares including preference shares which are, or at the option of Microequities or holders are, liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Microequities.

10.7 MICROEQUITIES' ISSUED CAPITAL

As at the Prospectus Date, the only classes of securities on issue by Microequities are the Shares and the Options. The Options will not be admitted for quotation on ASX.

10.8 LITIGATION AND CLAIMS

The Directors are not aware of any litigation of a material nature instituted, pending or threatened involving Microequities.

10.9 TAXATION CONSIDERATIONS

10.9.1 SUMMARY OF TAX ISSUES FOR AUSTRALIAN TAX RESIDENT SHARE INVESTORS

The comments in this Section 10.9 provide a general outline of Australian tax issues for Australian tax resident shareholders who acquire shares under this Prospectus and that hold Shares in Microequities on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who are exempt from Australian tax, or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*.

The summary in this Section is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary in this Section is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Prospectus. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act.

10.9.2 DIVIDENDS: AUSTRALIAN RESIDENT INDIVIDUALS AND COMPLYING SUPERANNUATION ENTITIES

Where dividends on a Share are paid by Microequities those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credits attached to that dividend.

The rate of tax payable by each Australian Shareholder that is an individual will depend on the individual circumstances of the Shareholder and his / her prevailing marginal rate of income tax.

Shareholders who are individuals or complying superannuation entities should be entitled to a tax offset equal to the franking credits attached to the dividend subject to being a qualified person (refer further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by Microequities is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

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10.9.3 DIVIDENDS: CORPORATE SHAREHOLDERS

Corporate Shareholders are also required to include both the dividend and associated franking credits in their assessable income. A tax offset is then allowed up to the amount of the franking credits on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credits attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of franked dividends.

Excess franking credits received by a corporate Shareholder cannot give rise to a refund, but may in certain circumstances be converted into carry forward tax losses.

10.9.4 DIVIDENDS: TRUSTS AND PARTNERSHIPS

Australian tax resident Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and franking credits in determining the net income of the trust or partnership. A beneficiary, trustee or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

10.9.5 SHARES HELD AT RISK

To be eligible for the benefit of franking credits and tax offset a Shareholder must satisfy both the holding period and related payment rules. This requires that a Shareholder hold the Shares in Microequities "at risk" for more than 45 days continuously (not including the date of acquisition and disposal).

Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (for example through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". In addition, a Shareholder must not be obliged to make a related payment in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates.

Where these rules are not satisfied the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Shareholders should obtain their own professional tax advice to determine if these requirements, as they apply to them, have been satisfied.

A specific integrity rule also prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing". Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX and then effectively repurchasing the same parcel of shares on a special ASX trading market.

Shareholders should consider the impact of these provisions (and other dividend tax integrity provisions) having regard to their own personal circumstances.

10.9.6 CAPITAL GAINS TAX (CGT) IMPLICATIONS FOR AUSTRALIAN TAX RESIDENTS ON DISPOSAL

The disposal of a share by a Shareholder will be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the share (broadly, the amount paid to acquire the share plus any transaction costs incurred in relation to the acquisition or disposal of the shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as Trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income.

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10.9.7 TAX FILE NUMBERS

Shareholders are not required to quote their tax file number (TFN), or where relevant their ABN, to Microequities.

However, if a valid TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by Microequities from distributions and/or unfranked dividends at the maximum marginal tax rate plus the Medicare levy. Australian tax should not be required to be deducted by Microequities in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN. Non-residents are exempt from this requirement.

10.9.8 GST IMPLICATIONS

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in Microequities regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by Microequities.

10.9.9 STAMP DUTY

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless they acquire, either alone or with an associated / related person, an interest of 90% or more in Microequities. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares whilst Microequities remains listed.

10.9.10 COMPANY TAX STATUS

Microequities is an Australian tax resident company. The Company is a member of a tax consolidated group registered with the Australian Taxation Office.

The Company does not have any tax reporting obligations in foreign jurisdictions.

10.10 CONSENTS

Each of the following entities has consented, and as at the Prospectus Date has not withdrawn its consent, to:

- be named in this Prospectus in the form and context in which it is named; and
- the inclusion of the following statements in this Prospectus, in the form and context in which they are included (and all other references to those statements):

ENTITY	CONTEXT IN WHICH IT IS NAMED	STATEMENT INCLUDED
BDO	Investigating Accountant	Investigating Accountant's Report
Mills Oakley	Legal Adviser	None
Link Market Services Limited	Share Registry	None
Prosperity Advisers (Sydney) Pty Ltd	Tax adviser	None
Prosperity Advisers Audit Services Pty Ltd	Auditor	None

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and, subject to the law, expressly disclaims and takes no responsibility for any statements or omissions in this Prospectus except as stated above.

In this regard it is noted that Chapter 6D of the Corporations Act imposes a liability regime on the offeror of Shares under this Prospectus, the directors of the offeror, persons named in the Prospectus with their consent as having made a statement in the Prospectus and the persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although Microequities and SaleCo bear the primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements in it.

10 ADDITIONAL INFORMATION

10.11 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Microequities is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

10.11.1 CORPORATIONS ACT

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Microequities.

10.11.2 FOREIGN ACQUISITIONS AND TAKEOVERS ACT

Generally, the Foreign Acquisitions and Takeovers Act applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur

unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

10.12 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales and of the Commonwealth.

10.13 AUTHORISATION OF THIS PROSPECTUS

Each director of Microequities and the sole director of SaleCo has authorised the issue of this Prospectus and has consented to its lodgement with ASIC.



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GLOSSARY

II GLOSSARY

TERM	MEANING
AAS	Australian Accounting Standards issued by the AASB
AASB	Australian Accounting Standards Board
ABN	Australian business number
ACN	Australian company number
Administration Fee	Administration fees received by the Manager for expenses properly incurred in operating the Funds
AFSL	Australian Financial Services Licence
Applicant(s)	A person who submits an Application
Application	An application made to purchase Shares under the Offer
Application Form	The application form accompanying this Prospectus (being an electronic form provided by an online application facility)
Application Monies	The amount paid by an Applicant for Shares under the Offer
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires
ASX Listing Rules	The listing rules of the ASX, as may be amended or supplemented from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd ACN 008 504 532
AUD or \$	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB and Urgent Issues Group Interpretations
BDO	BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170
Board or Board of Directors	The board of Directors of Microequities
CGT	Capital gains tax

II GLOSSARY

TERM	MEANING
Chairperson	The Chairperson of the Board
CHESS	The ASX's Clearing House Electronic Subregister System
Client	A principal or agent that is the primary contact person in regard to investments held in the Funds. The Client may invest in the Funds through a number of different entities or act as an agent on behalf of Investors
Close-ended Fund	A fund that generally does not allow applications for units on a regular basis. It also has a fixed end date, which may be extended by the Fund Manager and does not generally offer regular opportunities for redemptions
Closing Time	The closing time of the Offer, indicatively proposed to be the date stated in the Key Offer Information table on page 6 and subject to change as explained on that page
Company or Microequities	Microequities Asset Management Group Limited ACN 110 777 056
Completion	Completion in respect of the sale or issue of Shares pursuant to the Offer
Constitution	The constitution of Microequities
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deep Value Fund or DVF	Microequities Deep Value Fund ABN 20 869 753 103
Director	A director of Microequities
Emerging Companies Value Fund or ECVF	Microequities Emerging Companies Value Fund – QCAX Series Fund ABN 36 198 616 479
ESTP	Employee Share Trust Plan
EVP	Equity Venture Partners Pty Ltd ACN 600 735 626
Existing Shares	The Shares of Selling Shareholders
Exposure Period	The seven day period after the Original Prospectus Date, during which no Applications may be accepted, as may be extended by ASIC by up to a further seven days
Financial Information	See definition in Section 4.1
Free Float	The percentage calculated as the number of Shares offered under the Offer plus Shares held by Pre-IPO Shareholders (excluding Directors and key staff) divided by the total number of Shares on issue at Completion

II GLOSSARY

TERM	MEANING
FUM	The amount of funds under management
Fund Manager	A professional service firm providing fund management services
Funds	The funds collectively managed by Microequities and Fund means any one of them
FY	Financial year
Global Value Microcap Fund or GVMF	Microequities Global Value Microcap Fund ABN 51 439 248 026
Group	Microequities and each of its Subsidiaries
GST	Goods and Services Tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
High Income Value Microcap Fund or HIMF	Microequities High Income Value Microcap Fund ABN 41 484 811 739.
High Water Mark	A High Water Mark is a means of ensuring that previous negative performance must be recouped before a performance fee can be received by Microequities in regard to a Fund. The High Water Mark is the highest prior NAV of the Fund on a per unit basis at which a Performance Fee was levied at the end of a Performance Fee period. The High Water Mark is in respect of each individual unit in the Fund. It should be noted that the Trustee at its sole discretion may reset the High Water Mark
Historical Periods	The historical financial periods referred to in this Prospectus, namely the financial years ended 30 June 2016 (FY16), 30 June 2017 (FY17), the six months ended 31 December 2016 (1H17), and the six months ended 31 December 2017 (1H18)
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Inception or Inception Date	The date on which a Fund first receives an inflow of FUM
Investigating Accountant's Report	The report prepared by BDO set out in Section 8
Investor	A person or entity making an investment into a Fund
Listing	The admission of Microequities to the Official List
Management	The key executives of Microequities identified in Section 6.2

II GLOSSARY

TERM	MEANING
Management Fee	The revenue received by the Manager in respect of the management of the Funds, calculated as a percentage of FUM, as described in Section 3.8.1
Manager	Microequities Asset Management Pty Ltd ACN 134 984 768
Microcap	A listed company with a market capitalisation of less than \$300 million at the time of initial investment
Microequities Venture Capital Fund LP or MVCF	Microequities Venture Capital Fund, an incorporated limited liability partnership
NAV	Net asset value
Net Operating Cash Profit	Net operating profit after tax from asset management operations (i.e. excluding any income from returns on financial assets). In future reporting periods, it will also exclude any impact of employee long term incentive plans.
NPAT	Net profit after tax
Offer	The offer of Shares made pursuant to this Prospectus
Offer Period	The period during which Share Investors may apply for Shares under the Offer, opening on the date stated in the Key Offer Information table on page 6 and ending at the Closing Time
Offer Price	The price at which Shares are being offered under the Offer, being \$0.80 per Share
Official List	The official list of ASX
Open-ended Fund	A fund that makes monthly redemptions and applications and is generally always open for new applications. There is no limit to the number of units that can be issued in an Open-ended Fund and there is no end date for the fund.
Option	An option to subscribe for a Share
Original Prospectus	The prospectus dated 8 March 2018 and lodged with ASIC on that date, and which this Prospectus replaces
Original Prospectus Date	8 March 2018
Performance Fee	Performance fees received by the Manager in relation to Fund performance subject to various hurdles and High Water Marks as described in Section 3.8.2
Pre-IPO Shareholders	Shareholders of Microequities prior to the offer of Shares pursuant to this Prospectus
Prospectus	This document and any replacement or supplementary prospectus in relation to this document

II GLOSSARY

TERM	MEANING
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 15 March 2018
Prosperity	Prosperity Advisers Audit Services Pty Ltd ACN 147 151 228
Pure Microcap Value Fund or PMVF	Microequities Pure Microcap Value Fund ABN 38 569 576 746
Section	A section of this Prospectus, unless otherwise specified
Selling Shareholders	Pre-IPO Shareholders who have agreed to sell a portion of their Shares under this Prospectus
Share Investor	An investor or prospective investor in Shares
Share Registry	Link Market Services Limited
Share	A fully paid ordinary share in the capital of Microequities
Shareholder	A registered holder of Shares
Smallcap	A listed company with a market capitalisation of greater than \$300 million and less than \$2 billion
Subsidiaries	Microequities Asset Management Pty Ltd, Microequities Venture Capital Pty Ltd, and Microequities Venture Capital Managing Partnership LP
TFN	Tax File Number as defined in the <i>Income Tax Assessment Act 1936</i> (Cth)
US or United States	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Person	Has the meaning given to it in Regulation S of the US Securities Act
US Securities Act	<i>US Securities Act 1933</i> , as amended
Value Based Investment Doctrine	An investment doctrine whereby every business that is purchased has an intrinsic value as determined by the investment management team well in excess of its market value
Wholesale and Sophisticated Investor	An investor who is: <ol style="list-style-type: none"> (a) either a 'professional investor' or 'sophisticated investor' in accordance with sections 708(11) and 708(8) of the Corporations Act; or (b) a wholesale client within the meaning of section 761G of the Corporations Act.

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CORPORATE DIRECTORY

12 CORPORATE DIRECTORY

DIRECTORS

Les Szekely, Non-Executive Director and Chairperson
Craig Shapiro, Non-Executive Director
Carlos Gil, Executive Director
Sam Gutman, Executive Director and Company Secretary

MICROEQUITIES

Microequities Asset Management Group Limited
Suite 3105, Level 31 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

INVESTIGATING ACCOUNTANT

BDO Corporate Finance (East Coast) Pty Ltd
Level 11, 1 Margaret Street
Sydney NSW 2000

LEGAL ADVISER

Mills Oakley
Level 12, 400 George Street
Sydney NSW 2000

TAX ADVISER

Prosperity Advisers (Sydney) Pty Ltd
Level 11, 309 Kent Street
Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

AUDITOR

Prosperity Advisers Audit Services Pty Ltd
Level 11, 309 Kent Street
Sydney NSW 2000

OFFER INFORMATION LINE

1 800 425 578

Between 8.30 am and 5.30 pm Sydney, Australia
time Monday to Friday (business days only) during the
Offer Period

OFFER WEBSITE

<http://microequities.com.au/IPO>

COMPANY WEBSITE

<http://microequities.com.au/>

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

Microequities Asset Management Group Limited and its subsidiaries together are referred to in this summary of significant accounting policies as "the Group" or "the Consolidated Entity". The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The general purpose financial statements for the interim half-year reporting period ended 31 December 2017 do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the special purpose annual report for the year ended 30 June 2017.

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

(B) NEW, REVISED OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict

the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, and recognition of revenue when each performance obligation is satisfied. The Group has at this time not assessed the impact of this standard.

AASB 9 FINANCIAL INSTRUMENTS

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

AASB 16 LEASES

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

13 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(C) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Microequities Asset Management Group Limited (“Parent” for the purpose of this summary of significant accounting policies) and the results of its subsidiaries for the relevant financial period.

Subsidiaries are entities the Parent controls (including special purpose entities). The Parent controls an entity when it 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 over 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 Group companies 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.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as “non-controlling interests”. The group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(D) REVENUE RECOGNITION

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

(i) Interest Income

Interest revenue is recognised using the effective interest rate method.

(ii) Dividend revenue

Dividends are recognised when the right to receive payment is established.

(iii) Rendering of services

Revenue in relation to rendering of services is recognised on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

(E) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In this case, it is recognised as part of the cost of 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 ATO is included with other receivables or payables in the balance sheet.

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

(F) INCOMETAX

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

13 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

TAX CONSOLIDATION

The Parent and its wholly-owned entity, Microequities Asset Management Pty Ltd, are part of a tax consolidated group. As a consequence, all members are therefore taxed as a single entity. The head entity within the tax-consolidated group is Microequities Asset Management Group Ltd.

Microequities Venture Capital Fund Managing Partnership LP is not a wholly owned entity and is therefore not part of the tax consolidated group.

Microequities Venture Capital Pty Ltd is not a taxable entity.

(G) FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are recognised as expenses in profit or loss immediately.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial instruments are subsequently measured at fair value. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial assets at fair value through profit or loss

As the company’s financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, these financial assets are measured at fair value through profit or loss.

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