

Spheria Emerging Companies Limited

ACN 621 402 588

Interim Financial Report

For the half-year ended 31 December 2022

Table of contents

Directors' report.....	3
Auditor's independence declaration.....	5
Interim financial statements	6
Notes to the interim financial statements	10
Directors' declaration	14
Independent Auditor's review report	15
Corporate directory	17

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Company's annual report for the year ended 30 June 2022 and with any public announcements made by the entity during the interim reporting period.

Directors' report

The directors present their report together with the interim financial statements of Spheria Emerging Companies Limited (**Company**) for the half-year ended 31 December 2022.

The Company is a company limited by shares and is incorporated in Australia.

Directors

The following persons held office as directors during the half-year and up to the date of this report, unless otherwise stated:

Jonathan Trollip (Chairman)

Lorraine Berends

Matthew Booker

Chris Meyer (Alternate Director)

Principal activities

The principal activity of the Company is to provide shareholders the opportunity to invest in an actively managed equities portfolio that provides exposure to Australian Small Cap Securities. There have been no significant changes in the nature of these activities during the half-year.

Review of operations

The Company offers investors access to an actively managed portfolio, predominantly comprised of Australian Small Cap Securities, which aims to outperform its Benchmark S&P/ASX Small Ordinaries Accumulation Index over each full investment cycle (typically 3 to 5 years). The investment strategy aims to provide total returns in excess of the Benchmark, and capital growth.

Activities for the half-year ended 31 December 2022 resulted in an operating profit after tax of \$4,331,000, compared to a profit of \$9,567,000 for the half-year ended 31 December 2021.

During the half-year, the Company paid a fully franked quarterly dividend of 2.2 cents per share for the June 2022 quarter on 29 July 2022, and 2.1 cents per share for the September 2022 quarter on 3 November 2022. This is consistent with the aim to pay dividends on a quarterly basis, at a level of 1% of post-tax NTA at the end of each calendar quarter, subject to available profits, cash flow and franking credits.

Since period end the Company has paid a fully franked quarterly dividend for the December 2022 quarter of 2.2 cents per share on 6 February 2023.

Performance

We consider that it is useful to report performance from three different perspectives:

- 1) Firstly, to show how the investment portfolio has performed after deducting management fees and performance fees (if applicable) compared to the Benchmark. We refer to this as the **Manager Performance**. The Benchmark is also used to calculate any Manager performance fees;
- 2) Secondly, to show how the Company has performed which, in addition to the management and performance fees mentioned above, also accounts for all other Company expenses paid excluding taxes. We refer to this as the **Company Performance**. Company performance is adjusted for dividends paid by the Company and does not include the value of franking credits held by the Company; and

- 3) Finally, to show the **Total Shareholder Return or TSR Performance**, which measures the change in the share price adjusted for any dividends paid during the period. The TSR Performance does not include the value of any franking credits when they are paid to shareholders. The TSR Performance can be an important measure as often the share market can trade at a premium or discount to the NTA.

The results of each of these measures for the half-year are outlined below:

Manager Performance	+ 4.2%
Portfolio Benchmark	+ 7.0%
Manager Out-Performance	- 2.8%

Company Performance	+ 4.0%
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TSR Performance	- 1.9%
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TSR Performance was lower than other performance measures during the half-year, reflecting the increase in discount between share price and NTA from 5.7% at 30 June 2022 to 11.1% at 31 December 2022. While there has been an increase in the discount during the period, the Board remains committed to its reduction.

Matters subsequent to the end of the financial period

Other than as disclosed in note 6 of the interim financial statements, no matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Significant changes in the state of affairs

Apart from the above, there were no significant changes to the state of affairs of the Company during the half-year.

Auditor's independence declaration

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

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

This report is made in accordance with a resolution of the directors.



Jonathan Trollip

Chairman

Sydney

20 February 2023

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**Auditor's Independence Declaration
To the Directors of Spheria Emerging Companies Limited
ABN 84 621 402 588**

In relation to the independent auditor's review of Spheria Emerging Companies Limited for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



C I Chandran
Partner

Pitcher Partners
Sydney

20 February 2023

Interim financial statements

Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Investment income		
Interest income received	18	-
Dividends received	3,322	3,146
Gains on financial instruments held at fair value through profit and loss	2,996	11,754
Net investment income	6,336	14,900
Expenses		
Management fees	(684)	(835)
Performance fees	-	(1,268)
Brokerage costs	(85)	(112)
ASX and share registry fees	(74)	(64)
Professional fees	(36)	(34)
Director fees	(40)	(35)
Other expenses	(92)	(100)
Total expenses	(1,011)	(2,448)
Profit before income tax	5,325	12,452
Income tax expense	(994)	(2,885)
Net profit after income tax for the period	4,331	9,567
Other comprehensive income net of tax	-	-
Total comprehensive income for the period attributable to shareholders	4,331	9,567

Earnings per share for profit attributable to ordinary equity holders of the Company	Notes	Cents	Cents
Basic and diluted earnings per share	5	7.2	15.9

The above statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the interim financial statements.

Statement of financial position

As at 31 December 2022

	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets			
Cash and cash equivalents		2,168	3,374
Trade and other receivables		138	371
Financial assets at fair value through profit or loss	2	126,028	127,979
Deferred tax assets		3,257	3,665
Total assets		131,591	135,389
Liabilities			
Trade and other payables		231	4,684
Current tax liabilities		214	1,243
Deferred tax liabilities		22	82
Total liabilities		467	6,009
Net assets		131,124	129,380
Shareholders' equity			
Issued capital	3	122,819	122,819
Profits reserve		57,456	50,772
Accumulated losses		(49,151)	(44,211)
Total equity		131,124	129,380

The above statement of financial position should be read in conjunction with the notes to the interim financial statements.

Statement of changes in equity

For the half-year ended 31 December 2022

	Note	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Half-year ended 31 December 2022					
Balance as at 1 July 2022		122,819	50,772	(44,211)	129,380
Total comprehensive income					
Profit for the period		-	-	4,331	4,331
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	4,331	4,331
Transfers between reserves					
Transfers to profit reserve		-	9,271	(9,271)	-
Total transfers between reserves		-	9,271	(9,271)	-
Transactions with owners in their capacity as owners					
Dividend paid to shareholders	4(a)	-	(2,587)	-	(2,587)
Total transactions with owners in their capacity as owners		-	(2,587)	-	(2,587)
Balance as at 31 December 2022		122,819	57,456	(49,151)	131,124
Half-year ended 31 December 2021					
Balance as at 1 July 2021		122,819	48,783	(21,250)	150,352
Total comprehensive income					
Profit for the period		-	-	9,567	9,567
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	9,567	9,567
Transfers between reserves					
Transfers to profit reserve		-	9,567	(9,567)	-
Total transfers between reserves		-	9,567	(9,567)	-
Transactions with owners in their capacity as owners					
Dividend paid to shareholders	4(a)	-	(4,511)	-	(4,511)
Total transactions with owners in their capacity as owners		-	(4,511)	-	(4,511)
Balance as at 31 December 2021		122,819	53,839	(21,250)	155,408

The above statement of changes in equity should be read in conjunction with the notes to the interim financial statements.

Statement of cash flows

For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Proceeds from sale of investments		24,946	32,857
Payments for investments		(22,757)	(31,308)
Interest received		13	-
Dividends received		3,526	3,298
Payments to suppliers		(2,671)	(1,256)
Income taxes paid		(1,676)	-
Net cash provided by operating activities		1,381	3,591
Cash flows from financing activities			
Dividends paid to shareholders	4(a)	(2,587)	(4,511)
Net cash used in financing activities		(2,587)	(4,511)
Net decrease in cash and cash equivalents		(1,206)	(920)
Cash assets at beginning of the financial period		3,374	3,355
Cash assets at the end of the financial period		2,168	2,435

The above statement of cash flows should be read in conjunction with the notes to the interim financial statements.

Notes to the interim financial statements

For the half-year ended 31 December 2022

Note 1 Summary of significant accounting policies

The interim financial statements were authorised for issue on 20 February 2023 by the Board.

Basis of preparation

These interim financial statements for the half-year ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial statements have been prepared on an accrual basis, and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

These interim financial statements do not include all of the disclosures normally included in annual financial statements. It is recommended that this interim financial report be read in conjunction with the Company's annual report for the year ended 30 June 2022 and with any public announcements made by the entity during the interim reporting period.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the interim financial report have been rounded to the nearest one thousand dollars, unless otherwise indicated.

Significant accounting policies

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year, as disclosed in the 30 June 2022 annual report.

New accounting standards and interpretations

There are no new accounting standards, amendments and interpretations that are expected to have a material impact on the interim financial statements.

Note 2 Fair value measurements

The Company measures and recognises its financial assets at fair value through profit or loss on a recurring basis.

Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Note 2 Fair value measurements (continued)

Recognised fair value measurements

The following table presents the Company's assets measured and recognised at fair value:

	Level 1	Level 2	Level 3	Total
Financial Assets	\$'000	\$'000	\$'000	\$'000
31 December 2022				
<i>Financial assets at fair value through profit and loss</i>				
Australian listed equity securities	126,028	-	-	126,028
Total financial assets	126,028	-	-	126,028
30 June 2022				
<i>Financial assets at fair value through profit and loss</i>				
Australian listed equity securities	127,979	-	-	127,979
Total financial assets	127,979	-	-	127,979

There were no liabilities measured at fair value at 31 December 2022 or 30 June 2022.

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted last prices at the end of the reporting year, excluding transaction costs.

There were no transfers between levels for recurring fair value measurements during the period.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The carrying amounts of all financial instruments other than those measured at fair value on a recurring basis are considered to represent a reasonable approximation of their fair values.

Note 3 Issued capital

(a) Share capital

	31 Dec 2022 Number	31 Dec 2022 \$'000	30 Jun 2022 Number	30 Jun 2022 \$'000
Fully paid ordinary shares	60,150,633	122,819	60,150,633	122,819
Total share capital	60,150,633	122,819	60,150,633	122,819

The Company does not have an authorised capital value or par value in respect of its issued shares.

Note 3 Issued capital (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Total \$'000
Half-year ended 31 December 2022			
1 July 2022	Balance	60,150,633	122,819
	No changes	-	-
31 December 2022	Balance	60,150,633	122,819
Half-year ended 31 December 2021			
1 July 2021	Balance	60,150,633	122,819
	No changes	-	-
31 December 2021	Balance	60,150,633	122,819

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Note 4 Dividends

(a) Dividend paid

During the half-year, the following dividends were paid by the Company:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Quarterly dividend for period ended 30 June 2022 of \$0.022 per fully paid ordinary share paid on 29 July 2022 - fully franked at 30%	1,324	-
Final dividend for financial year ended 30 June 2021 of \$0.05 per fully paid ordinary share paid on 22 September 2021 - fully franked at 30%	-	3,007
Quarterly dividend for period ended 30 September 2022 of \$0.021 per fully paid ordinary share paid on 3 November 2022 - fully franked at 30% (31 Dec 2021: 2.5 cents paid on 31 October 2021 – fully franked at 30%)	1,263	1,504
Total dividends paid	2,587	4,511

(b) Dividends not recognised at the end of the period

Since period end the Board resolved to pay a fully franked quarterly dividend of 2.2 cents per share for the period ended 31 December 2022, which was paid on 6 February 2023 (31 Dec 2021: fully franked quarterly dividend of 2.6 cents per share paid on 31 January 2022).

Based on the number of issued shares at 31 December 2022, the aggregate amount of dividend payable but not recognised as a liability at period end was \$1,324,000 (31 Dec 2021: \$1,564,000).

(c) Dividend franking account

The balance of the Company's dividend franking account at 31 December 2022 was \$6,672,000 (31 Dec 2021: \$5,825,000). The franking debit that arose from the payment of the dividend not recognised at the end of the reporting period, based on the number of issued shares at 31 December 2022, was \$567,000 (31 Dec 2021: \$670,000).

Note 5 Earnings per share

(a) Earnings used in the calculation of basic and diluted earnings per share	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit from continuing operations attributable to the owners of the Company	4,331	9,567
(b) Basic and diluted earnings per share	Cents	Cents
Profit from continuing operations attributable to the owners of the Company	7.2	15.9
(c) Weighted average number of ordinary shares used in the calculation of earnings per share	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,150,633	60,150,633
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	60,150,633	60,150,633

Note 6 Subsequent events

Except as referred to in note 4(b), no matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Note 7 Segment Information

The Company has only one reportable segment. The Company is engaged solely in investment activities in Australia.

Note 8 Contingencies and commitments

The Company has no commitments at period end and no known contingent assets or liabilities.

Directors' declaration

The directors declare that the interim financial statements and notes as set out on pages 7 to 13 are in accordance with the Corporations Act 2001, including:

- (a) complying with Accounting Standard AASB134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Spheria Emerging Companies Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in dark ink, appearing to read 'Jonathan Trollip', is written over a faint, circular embossed seal.

Jonathan Trollip

Chairman

Sydney

20 February 2023

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**Independent Auditor's Review Report
To the Members of Spheria Emerging Companies Limited
ABN 84 621 402 588**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Spheria Emerging Companies Limited ("the Company") which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



C I Chandran
Partner

20 February 2023



Pitcher Partners
Sydney

Corporate directory

Board of Directors

Jonathan Trollip (Chairman)
Lorraine Berends
Matthew Booker
Chris Meyer (Alternate Director)

Secretary

Calvin Kwok

Manager

Spheria Asset Management Pty Limited
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Toll Free: 1300 010 311

ASX Code

SEC Ordinary Shares

Auditors

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Share Register

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Principal Place of Business

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Website Address

<https://spheria.com.au/funds/spheria-emerging-companies-limited-asx-sec>