

NAOS SMALL CAP
OPPORTUNITIES
COMPANY LIMITED

(ASX: NSC)
ABN 47 107 617 381



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NAOS Small Cap Opportunities Company Limited

ASX Code: NSC ACN: 107 617 381

Appendix 4E | Results for Announcement to the Market

Results Announcement for the year ended 30 June 2022

All comparisons are to the year ended 30 June 2021

	\$'000	up/down	% change
Revenue from ordinary activities	(25,549)	down	-134%
Loss from ordinary activities before tax attributable to shareholders	(30,933)	down	-143%
Loss from ordinary activities after tax attributable to shareholders	(19,788)	down	-138%

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2022 Final quarterly dividend	1.05c	1.05c	30%
2022 First quarterly dividend	1.25c	1.25c	30%
2022 Second quarterly dividend	1.35c	1.35c	30%
2022 Third quarterly dividend	1.35c	1.35c	30%

Final Quarterly Dividend Dates

Ex-dividend date	31 August 2022
Record date	1 September 2022
Last date for DRP election	2 September 2022
Payment date	21 September 2022

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the recommended fully franked final quarterly dividend of 1.05 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.

	30 June 2022 \$	30 June 2021 \$
(Post Tax) Net tangible asset backing per share	0.84	1.02

This report is based on the annual report which has been subject to independent audit by the auditors, Deloitte Touche Tohmatsu Australia. The audit report is included with the Company's Annual Report, which accompanies this Appendix 4E. All the documents comprise the information required by the Listing Rule 4.3A.

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NAOS

ASX: NSC
NAOS SMALL CAP OPPORTUNITIES
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ANNUAL REPORT 2022

ACN 107 617 381

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Acknowledgement of Country

We would like to acknowledge the Gadigal People of the Eora Nation, the Traditional Custodians of the land now called Sydney, and pay our respect to the Elders past and present.

KEY DATES

NAOS INVESTOR ROADSHOW

The NAOS Investor Roadshow is back in 2022. Join us as the investment team discusses its investment philosophy and process as well as providing an outlook on the market. We will also highlight a selection of stocks that we hold within our Listed Investment Companies (LICs).

We invite you to come along with a friend, meet us in person, and understand more about NAOS Asset Management (NAOS) and our LICs. Register at a city near you.

Perth

Tuesday 11 October
10.30 am–12.00 pm
Intercontinental Perth
City Centre
815 Hay Street
Perth WA 6000

Newcastle

Monday 24 October
10.30 am–12.00 pm
Rydges Newcastle
Wharf Rd and
Merewether St
Newcastle NSW 2300

Brisbane

Thursday 13 October
10.30 am–12.00 pm
Customs House
399 Queen St
Brisbane City QLD 4000

Canberra

Tuesday 25 October
10.30 am–12.00 pm
Hyatt Hotel
120 Commonwealth Ave
Canberra ACT 2600

Melbourne

Tuesday 18 October
10.30 am–12.00 pm
The Olsen
637–641 Chapel St
South Yarra VIC 3141

Sydney

Thursday 27 October
12.30 pm–2.00 pm
Museum of
Contemporary Art
140 George St
The Rocks NSW 2000

Adelaide

Thursday 20 October
10.30 am–12.00 pm
Mayfair Hotel
45 King William St
Adelaide SA 5000

Visit naos.com.au/events for more information.

2022 ANNUAL GENERAL MEETING

Thursday 10 November 2022

NAOS Small Cap Opportunities Company Limited advises that its Annual General Meeting (AGM) will be held at 12.00 pm (AEDT) on Thursday 10 November 2022 at The Museum of Contemporary Art Australia, 140 George St, The Rocks NSW 2000.

Further details relating to the AGM will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company no later than 5.00 pm (AEST) on 15 September 2022.

FY22 FINAL QUARTERLY DIVIDEND DATES

Ex-Dividend Date:

Wednesday 31 August 2022

Record Date:

Thursday 1 September 2022

Last Date for DRP Election:

Friday 2 September 2022

Payment Date:

Wednesday 21 September 2022

NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED

NAOS Small Cap Opportunities Company Limited (ASX: NSC) seeks to protect investor capital while providing a sustainable, growing stream of dividends franked to the maximum extent possible, and long-term investment performance above the benchmark index, being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI).

5.0c

Fully Franked FY22 Dividend

6.85%

Fully Franked FY22 Dividend Yield

+4.80%

FY22 Investment Portfolio
Outperformance to Benchmark

+3.94% p.a.

4-Year Investment Portfolio
Outperformance to Benchmark

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KEY METRICS AS AT 30 JUNE 2022

Pre-tax Net Tangible Assets per Share \$0.84	Post-tax Net Tangible Assets per Share \$0.84
Fully Franked FY22 Dividend (cents per share) 5.0 cents	Fully Franked FY22 Dividend Yield 6.85%
Share Price \$0.73	Shares on Issue 143,720,906
Option Price (ASX: NSCOA) \$0.025	Options on Issue 50,874,164
Directors' Shareholding (number of shares) 2,444,497	Profits Reserve (cents per share) 21.1 cents

INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2022

	NSC Investment Portfolio Performance*	S&P/ASX Small Ordinaries Accumulation Index	Performance Relative to Benchmark
1 Month	-7.91%	-13.09%	+5.18%
1 Year	-14.72%	-19.52%	+4.80%
2 Years (p.a.)	+16.23%	+3.55%	+12.68%
3 Years (p.a.)	+11.48%	+0.38%	+11.10%
4 Years (p.a.)	+4.70%	+0.76%	+3.94%
Inception (p.a.)	+3.30%	+2.38%	+0.92%
Inception (Total Return)	+16.03%	+11.36%	+4.67%

*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes and capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Inception date is 1 December 2017. Returns compounded for periods greater than 12 months.

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BOARD OF DIRECTORS



TREVOR CARROLL
Independent Chair

Trevor Carroll has been a Director of the Company since 27 March 2017 and was appointed Chair on 26 October 2017.

Trevor was formerly Australian and New Zealand CEO of Electrolux Home Products. With over 30 years' experience in consumer-focused product strategy, brand marketing and manufacturing, Trevor's experience extends to membership of the Electrolux Global Product Council, which is responsible for product development worldwide.

Following his retirement as CEO, Trevor undertook a role in Shanghai, advising Electrolux China on product strategy. In recent years, Trevor has been a director of The Good Guys, Fusion Retail Brands, Big Sister Foods Group, and Crane Group.

He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008. Trevor holds a Bachelor of Commerce from Canterbury University (NZ).



SEBASTIAN EVANS
Director

Sebastian Evans has been a Director of the Company since 20 October 2017. Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager, since 2010.

Sebastian is the CIO across all investment strategies. He holds a Master of Applied Finance (MAppFin) majoring in investment management, as well as a Bachelor of Commerce majoring in finance and international business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.

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WARWICK EVANS

Director

Warwick Evans has been a Director of the Company since 20 October 2017. Warwick is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Asset Management Limited, the Investment Manager.

Warwick has over 35 years of equity market experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001, and as an executive director for Macquarie Group. He was founding Chairman and CEO of the Newcastle Stock Exchange (NSX) and was also Chairman of the Australian Stockbrokers Association. Prior to these positions, Warwick was an executive director at County NatWest.

Warwick holds a Bachelor of Commerce majoring in economics from the University of New South Wales.



DAVID RICKARDS OAM

Independent Director

David Rickards OAM has been an Independent Director of the Company since 28 February 2018. David is also an Independent Director and Chair of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC). He is also Co-Founder of Social Enterprise Finance Australia Limited (Sefa) and was a director and treasurer of Bush Heritage Australia for nine years.

David has over 25 years of equity market experience, most recently as an executive director at Macquarie Group where he was head of equities research globally, as well as equity strategy since 1989 until he retired in mid-2013. David was also a consultant for the financial analysis firm Barra International.

David holds a Master of Business Administration majoring in accounting and finance from the University of Queensland. He also has a Bachelor of Engineering (Civil Engineering) and a Bachelor of Engineering (Structural Engineering) from the University of Sydney, and a Bachelor of Science (Pure Mathematics and Geology).

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CHAIR'S LETTER

TREVOR CARROLL
Independent Chair

Dear fellow shareholders,

Welcome to the Annual Report for the NAOS Small Cap Opportunities Company Limited for the financial year (FY) ended 30 June 2022. I would like to thank all 3,975 NSC shareholders for your continued support and welcome all new shareholders who joined the Company during the 2022 financial year.

FY22 has been a challenging year for investors, dominated by macroeconomic issues such as supply chain bottlenecks and very high inflation. The second half of FY22 has seen monetary policy tightening at the quickest pace in 22 years, contributing to a broad decline in prices of equities. The emerging end of the Australian equity market has felt the brunt of this sell-off in a more pronounced manner than large cap stocks, with the S&P/ASX Small Ordinaries index (XSO) declining -21.56% in FY22, compared to a decline of -8.88% for the S&P/ASX 100 index (XTO). Despite the third quarter of the financial year seeing sharp sell-offs in a large cohort of pre-profitability businesses with capital-hungry business models that were trading at extreme valuations, the final quarter of FY22 saw the selling become more indiscriminate. While the withdrawal of government fiscal stimulus, tightening of monetary policy levers, and softening consumer confidence have rattled markets domestically and globally, certain sectors, such as Resources, have appreciated against the trend of the wider market, largely due to commodity price movements.

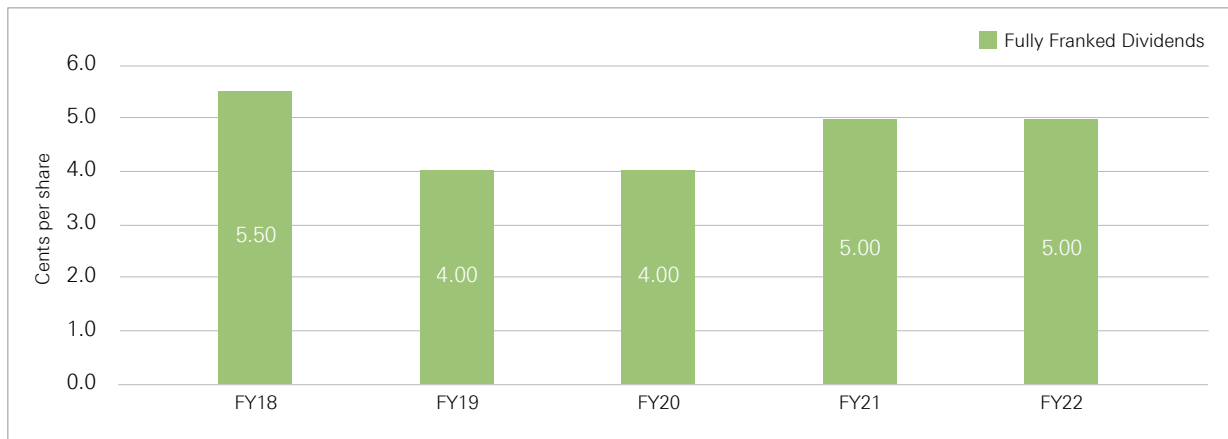
Despite the current macro headwinds, the Company remains focused on its investment philosophy, namely providing long-term, concentrated exposure to emerging industrial companies. It is the intent of the Investment Manager to ensure companies within the NSC investment

portfolio have sufficient balance sheet flexibility, generate meaningful free cash flow (in many cases with a growing dividend stream), are expanding their earnings base, and have management teams that are aligned through substantial stakes in the businesses they operate.

For the financial year ending 30 June 2022, the Company recorded an after-tax loss of \$19.8 million (FY21: after-tax profit of \$51.5 million). The Board has declared a fully franked final quarterly dividend of 1.05 cents per share, bringing FY22 fully franked dividends to 5.0 cents per share, maintaining the dividend level of the previous year despite a challenging year for performance and for the wider equity market. This represents a net dividend yield of 6.85%, based on the 30 June 2022 share price. Since inception in December 2017, the Company has now declared an aggregate 23.5 cents per share of dividends, all of which have been fully franked.

The Company will continue to focus on delivering a growing stream of quarterly dividends over the long term, franked to the maximum extent possible while maintaining an adequate profit reserve balance to enable the company to pay dividends in periods such as this financial year, where it has been more difficult to generate significant performance. The profit reserve balance at year end was \$30.3 million, or 21.1 cents per share.

NSC Fully Franked Dividend History



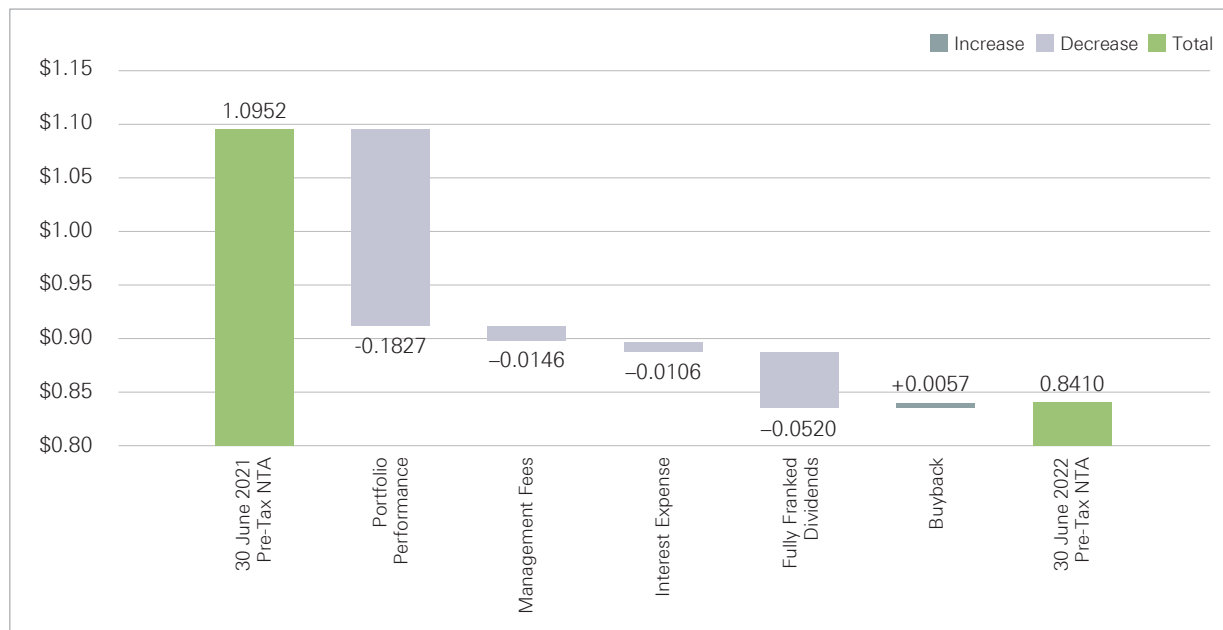
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In a challenging year, the NSC investment portfolio delivered a return of -14.72% for FY22, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which delivered a return of -19.52%. The investment portfolio return has now outperformed the benchmark over one-, two-, three- and four-year periods, and the total return since inception of +16.03% has outperformed the benchmark by +4.67%.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$1.10 to \$0.84 over the financial year, with the investment portfolio performance decreasing NTA per share by 18.27 cents over the year. 5.20 cents per share was paid to shareholders in fully franked dividends during the year, and management fees and interest expense on borrowings decreased the NTA by 1.46 cents per share and 1.06 cents per share respectively. The share buyback was a positive contributor to the Company's NTA, adding 0.57 cents per share.

“Since inception in December 2017, the Company has now declared an aggregate 23.5 cents per share of dividends, all of which have been fully franked.”

NSC Pre-Tax NTA Performance



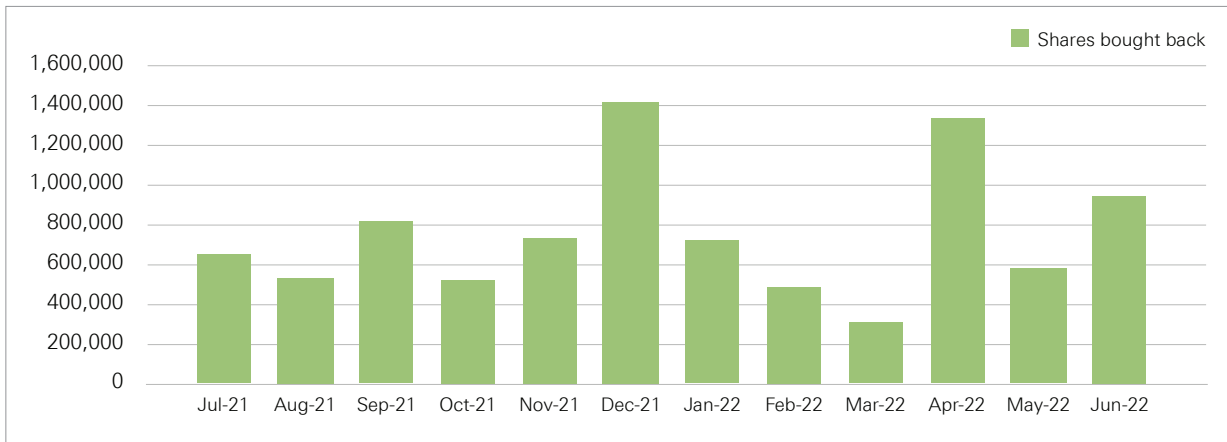
The Company's Total Shareholder Return (TSR), which measures the change in the share price and dividends paid over the financial year, was -20.96%. This measure does not include the benefit of franking credits received by shareholders. The NSC share price closed the financial year at \$0.73, which represented a discount to pre-tax NTA of -13.10%.

The Board remains committed to managing the capital base of the Company in a manner to maximise shareholder returns, including the following:

- **On-market share buyback** – The share buyback continued to be active over the course of FY22, with a further 9.6 million shares being bought back. The buyback of shares at a discount is accretive to NTA and thus of benefit to all shareholders. The Company has now bought back 25.5 million shares, or 15.09% of shares on issue since the buyback commenced in April 2019.
- **Dividend Reinvestment Plan (DRP)** – For those shareholders who participated in the DRP it is important to note the Company did not issue shares at a discount to NTA, but instead acquired shares on-market to ensure this capital management activity was completed without any potential dilution for existing shareholders.

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FY22 Shares Bought Back



The Company continues to focus on a high standard of investor communications, ensuring that all shareholders, alongside the NAOS database of more than 11,000 subscribers, are kept abreast of the Company’s performance and investment philosophy. This communication, in the form of educational pieces, monthly updates, articles, reviews, investment insights and quarterly webinars, is of particular importance in times of market volatility. The Company also places a high priority on prompt and transparent communication with all shareholder enquiries.

While FY22 presented significant challenges, and equity markets may remain vulnerable to short-term corrections, it is the opinion of the Board that the disciplined NAOS investment philosophy will generate strong performance for shareholders over the medium term. The Board continues to have a strong alignment with our shareholders, increasing their cumulative shareholdings during the year to 2.44 million shares.

On behalf of the Board of Directors, I would like to thank the staff of the Investment Manager for their efforts and dedication throughout the financial year.

Trevor Carroll
Independent Chair

18 August 2022

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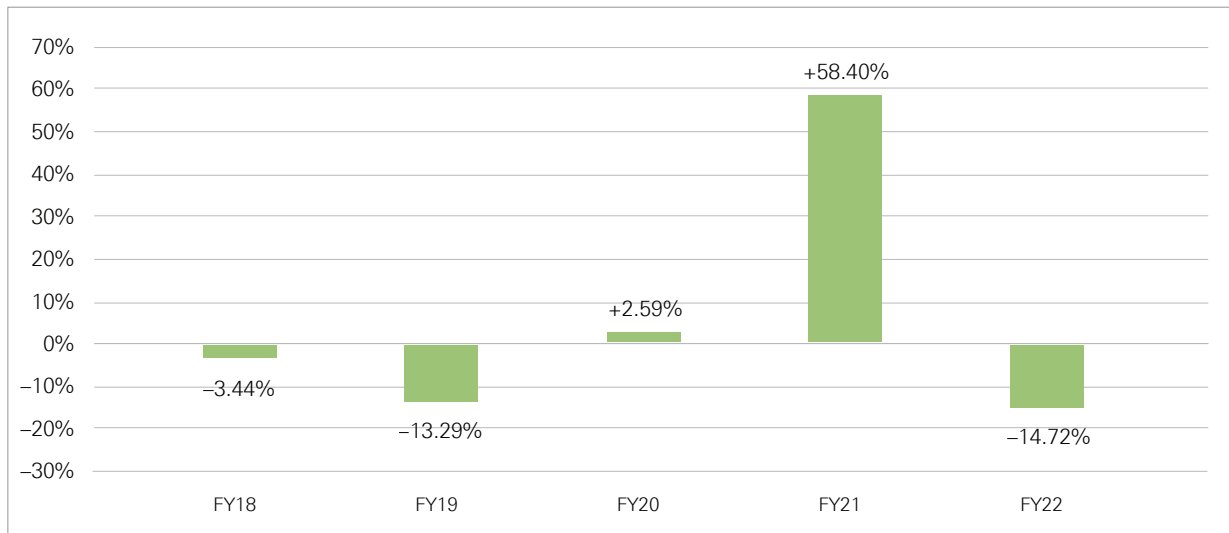
INVESTMENT MANAGER'S REVIEW

SEBASTIAN EVANS
*Managing Director
and Chief Investment Officer,
NAOS Asset Management Limited*

Dear fellow shareholders,

After returning +58.40% in FY21, the NSC investment portfolio was unable to continue this momentum in FY22, delivering a negative return of -14.72%. In an extremely difficult year for equities, this return outperformed the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which fell by -19.52%. Pleasingly, the NSC investment portfolio has now outperformed the benchmark across one-, two-, three- and four-year periods.

NSC Investment Portfolio Performance



INFLATION, INTEREST RATES AND POST-COVID HEADACHES

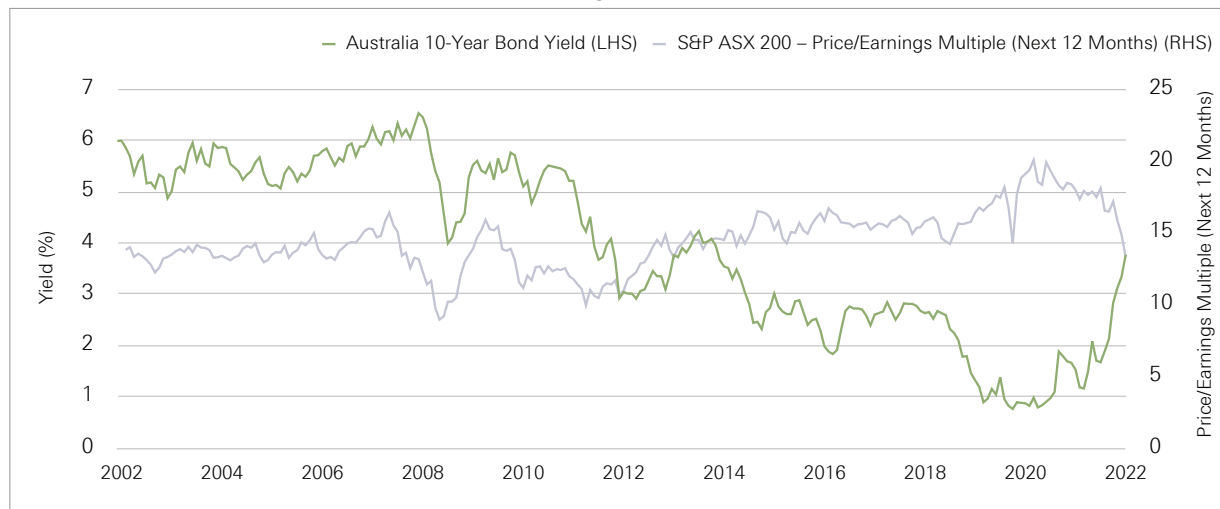
As many of our fellow shareholders would be aware, we do not profess to be experts on global macro variables and believe our competitive advantage is derived through the intimate knowledge of a business and the long-term drivers that should lead to positive, sustainable returns for investors. However, as was the case in FY21, FY22 was again dominated by macro events that one way or another led to significant (mostly downward) variances in share prices for several of the NSC core investments, to levels where in many cases we believe the valuation today is not a fair reflection of the long-term earnings potential of the business.

Emerging companies are inherently more susceptible to sharp changes in the macro environment and clearly, the valuations of many emerging businesses today are on the assumption that these changes will lead to a significant downward revision on these companies' future earnings bases (together with a lower valuation multiple). Such headwinds include:

- increase in many input costs;
- increase in employment costs and staff shortages;
- reduction in consumer demand;
- change in consumer spending habits;
- longer lead times; and
- increase in freight and logistics costs.

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Australia 10-Year Bond Yield & S&P/ASX 200 Price/Earnings Multiple (Next 12 Months)



Source: FactSet

CASH FLOW, SUSTAINABLE PROFITABILITY AND BALANCE SHEET FLEXIBILITY

At least one, if not many, of the variables listed above will affect all our core investments and in most cases they already have. Such headwinds should not be unexpected over the long term, but those businesses that are unable to manage such headwinds effectively should simply not be considered as a core long-term investment and are filtered out during our investment process. As long-term investors we want to ensure our capital is invested within businesses that exhibit many of the following characteristics:

- High returns on capital;
- Structural industry tailwinds driving long-term revenue growth;
- High free cash-flow generation with a reasonable capital expenditure profile;
- A balance sheet that can support organic and inorganic growth opportunities;
- A clear competitive advantage that is difficult to replicate; and
- Strong shareholder alignment from management and directors.

As mentioned above, structural industry tailwinds are a key consideration in any investment decision, and we strongly believe this variable is the most important consideration when it comes to capital preservation. When reviewing each of our core investments against this variable, we believe that the demand dynamics for a clear majority of our core investments has never been stronger. To highlight three examples:

- MaxiPARTS (ASX: MXI) – will benefit from not only the record number of trucks on Australian roads, but also the significant increase in general wear and tear due to increased logistic volumes and increased lead times for new truck deliveries;
- COG Financial Services (ASX: COG) – the continued increasing market share of finance brokers, coupled with the opportunity to be a trusted adviser for their

clients, may potentially lead to new product offerings such as insurance broking; and

- Big River Industries (ASX: BRI) – has a diverse exposure to overall construction volumes, some of which have long-term structural tailwinds due to the undersupply of housing in Australia and the upgrading of infrastructure to keep pace with population growth. BRI also operates in a competitive but fragmented landscape dominated by baby boomer operators close to retirement, which is ripe for consolidation.

Demand dynamics alone will not drive the long-term success of a business but in our view, they provide management with a significant degree of optionality to ensure that sustainable earnings per share growth is achieved over the long term, as well as minimising the risk of a permanent capital loss event.

FY22 NOTABLE INVESTMENT PORTFOLIO CONTRIBUTORS AND DETRACTORS

Overview

As mentioned previously, macro events have played a significant role in the valuations of many of our core investments through FY22. However, there was one clear, stock-specific event that cost the NSC investment portfolio dearly and would have occurred regardless of the macroeconomic backdrop. The business in question was BSA Limited (ASX: BSA). In this instance we took decisive action by requesting a director nominee to join the board, to put ourselves in the best possible position to protect our investment and to restore value for our shareholders.

Pleasingly, we believe this strategy has started to bear fruit, with BSA starting to show signs of stability post the removal of its Chairman and CEO, who oversaw not only a significant decrease in shareholder capital but also, we would argue, a significant degradation in business culture and employee morale. After completing a capital raising and providing guidance for revenue growth in 2H FY22, we believe BSA is beginning a long journey to restoring value – but one that is very much tangible.

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On a more positive note, it was pleasing to see that two of our long-term core investments, COG and BRI, continue to go from strength to strength, despite an extremely challenging market backdrop for emerging companies. Based on recently provided guidance, both businesses will report record profitability in FY22.

CONTRIBUTORS

Over The Wire Holdings (ASX: OTW)

After a number of years as a large holding in the NSC investment portfolio, OTW was subject to a takeover offer from National Broadband Network (NBN) retail service provider (RSP) Aussie Broadband (ASX: ABB). The takeover enabled us to divest our entire position at a significant gain to our average entry point. The decision to exit the investment as opposed to rolling our OTW scrip into ABB scrip was driven by two reasons. First, the combined market capitalisation of the merged entity would be significant enough for it to be included in the ASX-200 and, in essence, outside the NAOS investment universe. Second, we felt the implied valuation of the two businesses did not adequately compensate investors against the risk of earnings growing at a slower rate than expected due to OTW's recent history of missing guidance due to non-recurring revenue variances and operational expenditure increases, as well as ABB's ability to maintain industry-leading customer service and support levels in a business that is many times larger than it was just three years ago.

COG Financial Services (ASX: COG)

COG continued the momentum it built in FY21 and based on FY22 guidance, this financial year will be COG's most profitable on record. In our view, more importantly, FY22 was the year that COG solidified its capital-light model with a focus on finance and insurance broking as well as funds management. Most importantly, COG no longer writes any leases that it funds with its own balance sheet and/or where it takes on any credit risk.

These strategic initiatives have led to COG becoming the high free cash-flow generating business that it always should have been (just like listed insurance brokers), which has led to increased shareholder returns as well as increased funding for organic and inorganic growth opportunities. As we have said for many years, we firmly believe COG is a highly strategic asset with over \$7 billion of net assets financed via its owned and aggregated brokers, making it market leader by a considerable margin. Importantly, COG is also in the early stages of expanding its insurance broking business, which represents 6% of current group earnings, but in our view, has the potential to be >33%.

DETRACTORS

BSA Limited (ASX: BSA)

It was simply a year to forget for BSA, which was essentially the culmination of poor strategic decisions over the past few years in a culture of little accountability. In this case, the straw that broke the camel's back was the \$20 million settlement of a class action. We found this particularly galling, as the previous Chairman had publicly stated how confident the business was that its contracting arrangements were sound. This settlement was off the

back of a severe downturn in operating performance that saw BSA revert to a significant loss position due to poor pricing of contracts and a high corporate overhead, despite FY22 projected revenue of ~\$450 million. These losses then translated into a higher corporate debt level, whereas BSA had previously been in a net cash position for five years.

Since the above events, we believe a significant amount of positive change has occurred. Both the CEO and Chairman, who we believe were responsible for this destruction of capital, left the business. A capital raising was completed, which has shored up the balance sheet and allowed new management to remove a significant amount of fixed cost from the business. As mentioned previously, the revenue base of BSA remains significant and, annualising 2H FY22, it would be greater than \$500 million. Under the right management team with the appropriate oversight and focus on the cost base, we firmly believe that BSA's fortunes can turn around and we will be doing all we can to ensure this is the case.

Gentrack Group (ASX: GTK)

GTK is a relatively new investment and has been part of the core NSC investment portfolio for approximately 12 months. GTK has a long history of providing billing and customer experience solutions for large utilities businesses, generally in the electricity, gas and water segments of the market. GTK is in the midst of what we consider a refresh – under a new and highly capable management team led by Gary Miles. It is fair to say that this new management team surpassed most people's expectations in FY22, although arguably as a technology business GTK has been caught in the downdraught of valuations for technology stocks, which saw its share price fall by approximately –30%.

We believe that GTK does not require a 'technology multiple' to make it a very successful investment for NSC. Over the years, GTK has generally been a highly profitable and cash-generative business with a sticky customer base, until more recently, when management made a significant investment into the technology stack, and implementation and support divisions of the business. We believe the future remains very bright and if management can deliver on their FY24 targets of 15%–20% cash EBITDA margin on total revenue, then the GTK share price could well be significantly higher than where it stands today.

NEW CORE INVESTMENTS AND EXITS

MOVE Logistics (NZX: MOV)

Aligned and proven management teams are hard to find in any listed market, so when we discover one, we complete a significant amount of research to ensure we have the best possible understanding of the potential of the business over the long term. MOV is one example of a business that meets these criteria, and hence we have come to understand the MOV business in significant detail over the past 12 months. Chris Dunphy, who was an early member of the Mainfreight (NZX: MFT) senior management, recently joined MOV as Executive Director and Mark Newman, also a former Mainfreight executive for approximately two years, joined the board of MOV at a similar juncture. Since their appointment they have recruited at least five senior executives from the likes of

Mainfreight, Linfox and Toll NZ, to fill positions such as CTO, COO of Freight; and GM, Sales & Marketing. MOV has a revenue base in excess of NZ\$300 million, yet at the EBIT line its profits are minimal, i.e. NZ\$10 million. Chris and his team believe there is a significant opportunity for MOV to become a clear #2 behind Mainfreight in the New Zealand market, and return the business to margins that meet their internal hurdles developed back in their MFT days. The journey will not be without its challenges but with an aligned management team such as this, together with a business that already has significant scale, we believe the odds are stacked in their favour.

MaxiPARTS (ASX: MXI)

In some way, shape or form, MaxiPARTS has been in operation for over 30 years. In FY22, it became a standalone entity as the larger and less profitable trailer manufacturing business, which had been a very poor and unpredictable performer, was divested from the group. Today MXI is roughly a \$200-million business that distributes truck and trailer parts across Australia. The industry has been highly fragmented until recently, with the three market leaders being Bapcor Ltd (ASX: BAP), Supply Network Limited (ASX: SNL) and MXI, each controlling about one-third of the market.

We have always been attracted to distribution businesses. Apart from the strong cash-generative nature of these businesses, their competitive advantage can increase as the scale of their network increases, coupled with long-term customer relationships that can often lead to further market share/revenue gains.

FY23 will be the first full financial year that MXI is a standalone business. We believe this will allow management to concentrate on running a business that is more efficient and customer focused, which in our view should lead to organic revenue growth as well as significant growth at the EBIT margin level. We also believe that the industry tailwinds are significant due to

the demand for parts being driven by the sheer number of trucks in operation, the increased wear and tear due to the type of work these trucks undertake (which has changed significantly over the years), as well as the long lead times on new truck orders, which is leading to older trucks remaining on the road for longer.

FY23 OUTLOOK

As is the case in any outlook commentary, we can only comment on what we know and understand rather than provide any promises about the future performance of any asset or asset class. We believe that each of our core investments has the potential to generate significant positive long-term returns for our shareholders, and we presently see no reason why we could not hold each of our investments for many years, allowing our capital to compound.

As long-term investors, we often speak to the inherent long-term valuation potential that we believe remains in many of our core investments. The chart below is an effective way of conveying this statement in a visual format. Essentially, most listed investments are valued against their reported earnings (which hopefully translates into cash flow) as well as expected future earnings. The price-to-earnings ratio (P/E ratio) divides the current share price of a business by its earnings per share (EPS). If a business is growing its profitability (assuming a static share price), the P/E multiple will decrease as the EPS increases. The chart below represents a selection of core investments across the NAOS LICs, our expectations of the current P/E multiple (grey dot) and the P/E multiple in 12 months' time – factoring in what we believe is a reasonable expectation of EPS growth (green dot). As the green dots are lower than the grey dots, this represents the amount of earnings growth we are expecting for these investments (X-axis) and the significant reduction in P/E multiples, which we believe over time should be offset by higher share prices for these investments.

Select NAOS Core Investments – 2-Year Earnings Per Share Growth and Price/Earnings Multiple (FY22e and FY23e)



Source: FactSet/NAOS Asset Management

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As stated at the beginning of this letter, we do not profess to be macroeconomic experts and we will never try to time the top and bottom of markets. Instead, we will work tirelessly to find businesses that meet our strict investment criteria, which are run by proven and aligned people and, importantly, should benefit from structural industry tailwinds. To ensure we have the most useful and effective information available, the investment team at NAOS had more than 1,000 meetings in FY22 with contacts ranging from executives to competitors, industry experts, and former colleagues of the management of companies who we are investing your capital with today.

The information we derive from these meetings gives us a significant amount of confidence in the long-term potential of each of our core investments and therefore the amount of latent performance that we believe remains within the NSC investment portfolio.

At a more granular level, some of the key events we believe could have a material impact on the NSC investment portfolio over FY23 include the following:

- If COG can continue its recent momentum, FY23 may be the year that solidifies COG as a business that will be on many more investors' radars. We believe a conclusion regarding COG's non-core Earlypay (ASX: EPY) investment may eventuate in FY23, with a variety of outcomes possible, many of which, in theory, should prove to be positive for COG. We would also expect COG to be active on the M&A front while remaining true to its focus of acquiring finance brokers and/or insurance brokers as it looks to execute on its plan to gain 30% market share of the finance broking industry. The above outcomes may not sound significant on their own, but if executed upon successfully, we believe they could drive a significant re-rate in the valuation applied to the entire COG business as it continues to simplify, focus on cash-flow generation, and build out its strong market position.
- MXI will provide the market with a clear understanding of how its first financial year as a standalone entity is progressing. We believe MXI can grow its revenue line above market averages, with potential margin improvement, as we believe MXI was historically under-earning. MXI also has significant tax losses, which we believe will be with the business for three to five years at least and lead to a very strong net cash balance sheet position in time.
- GTK and MOV are both approximately 18 months into their respective turnarounds and internal expectations are for both businesses to start demonstrating tangible and quantifiable progress in FY23. Both are run by proven and aligned management teams, so we will be eagerly awaiting any updates regarding their progress throughout FY23.

"...structural industry tailwinds are a key consideration in any investment decision, and we strongly believe this variable is the most important consideration when it comes to capital preservation. When reviewing each of our core investments against this variable, we believe the demand dynamics for a clear majority of our core investments has never been stronger."

In summary, FY22 again showed us to expect the unexpected. Towards the end of the financial year our investment portfolios were clearly affected by indiscriminate selling, which has left our core investments at prices that we believe are well below fair value. The difference between what the wider market values these investments at, and what we believe they should be worth, may not fully close in the next 12–24 months, but we continue to believe the potential return will more than offset the wait, just as it did in FY21.

The entire team is well aware of our obligations to shareholders who have trusted us with their hard-earned capital, and all shareholders can rest assured we are doing our utmost to deliver the long-term outcomes you expect.

Thank you again for your support.



Sebastian Evans
*Managing Director and Chief Investment Officer
NAOS Asset Management Limited*

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OUR VALUES

ENCOURAGE INDEPENDENT THINKING

Rather than follow the crowd, we prefer to pave the way with innovation and provide a better outcome for our stakeholders. We have a disciplined investment process and do not get caught up in the hype and noise of the market.

DO ONE THING AND DO IT REALLY, REALLY WELL

At NAOS, we focus on providing genuine, long-term, concentrated exposure to emerging Australian industrial companies – and we strive to be the best at this.

TELL IT LIKE IT IS

At NAOS, we are honest and transparent. We continue to exist due to the earned trust of our shareholders.

HAVE THE RIGHT PEOPLE IN THE RIGHT ENVIRONMENT

Each NAOS employee has been specifically chosen for their unique ability, proven experience and willingness to learn. At NAOS, we have created an inclusive work culture and one that supports all our employees.

BE INVESTED AND ALIGNED

As NAOS Directors and employees, we have a significant interest in NAOS' investment strategies. This means we are invested alongside our shareholders, creating a strong alignment of interests.

HAVE A LONG-TERM PERSPECTIVE

We believe in investing in businesses where the earnings today are not a fair reflection of what the same business may earn over the longer term. Prior to investing in a business, we ask ourselves: do we want to own this business forever?

ACT RESPONSIBLY

We are responsible for investing our fellow shareholders' funds and we do not take this responsibility lightly. NAOS seeks to always act responsibly and diligently in all matters – from our investment choices through to our shareholder communications.

BE AN OWNER

NAOS employees strive to make NAOS a success by taking ownership of their tasks and responsibilities. In addition, NAOS Asset Management Limited is majority owned by employees and Directors.

GIVE BACK

As a company, we have committed to the Pledge 1% global movement; that is, to pledge 1% of our revenue, time and knowledge to movements and missions that matter. We want to make a difference and aim to contribute to economic, social and environmental change.

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OUR INVESTMENT BELIEFS

VALUE WITH LONG-TERM GROWTH



We believe in investing in businesses where the earnings today are not a fair reflection of what the same business will earn over the longer term. Ultimately, this earnings growth can be driven by many factors, including revenue growth, margin growth, cost cutting, acquisitions and even share buybacks. The end result is earnings growth over a long-term investment horizon, even if the business was perceived to be a value-type business at the time of the initial investment.

QUALITY OVER QUANTITY



Excessive diversification, or holding too many investments, may be detrimental to overall portfolio performance. We believe it is better to approach each investment decision with conviction. In our view, to balance risk and performance most favourably, the ideal number of quality companies in each portfolio would generally be zero to 20.

INVEST FOR THE LONG TERM



As investors who are willing to maintain perspective by taking a patient and disciplined approach, we believe we will be rewarded over the long term. If our investment thesis holds true, we persist. Many of our core investments have been held for three or more years, where management execution has been consistent and the value proposition is still apparent.

MANAGEMENT ALIGNMENT

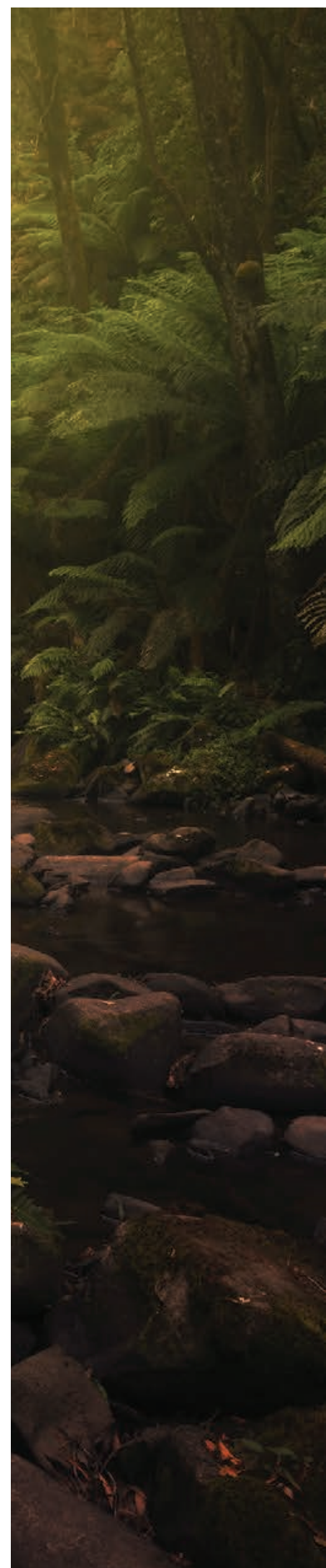


We believe in backing people who are proven and aligned with their shareholders. One of the most fundamental factors consistent across the majority of company success stories in our investment universe is a high-quality, proven management team with 'skin in the game'. NAOS Directors and employees are significant holders of shares on issue across our strategies, so the interests of our shareholders are well aligned with our own.

IGNORE THE INDEX



This means we are not forced holders of stocks with large index weightings that we are not convinced are attractive investment propositions. We actively manage each investment to ensure the best outcome for our shareholders and only invest in companies that we believe will provide excellent, sustainable, long-term returns.



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PURE EXPOSURE TO INDUSTRIALS



With the big four banks making up a large proportion of total domestic equity holdings for the self-managed superannuation funds (SMSF) investor group, many Australian investors are at risk of being overexposed to one sector and may be missing out on opportunities to invest in quality companies in industries such as media, advertising, agriculture or building materials. Australian listed industrial companies outside the ASX 200 are our core focus and we believe the LICs we manage provide pure access to these companies that may be lesser known by the broader investment community.

PERFORMANCE VS. LIQUIDITY FOCUS



We believe in taking advantage of inefficient markets. The perceived risk associated with low liquidity (or difficulty buying or selling large positions) combined with investor short-termism, presents an opportunity to act based purely on the long-term value proposition where the majority may lose patience and move on. Illiquidity is often caused by aligned founders or management having significant holdings in a company. NAOS benefits from a closed-end LIC structure, which means we do not suffer 'redemption risk' and we can focus on finding quality, undervalued businesses regardless of their liquidity profile.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term, which benefits not only shareholders but also the broader economy. NAOS is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into its investment practices.

CONSTRUCTIVE ENGAGEMENT



At NAOS, we are not activist investors. Due to our investment approach, it is common for NAOS to establish a substantial shareholding in a company with a long-term (five years+) investment horizon.

This approach allows us to supportively engage with the boards and/or management teams of our portfolio holdings.

Examples of constructive engagement where the NAOS investment team looks to add value:

- Growth capital if/when required;
- Messaging and communications;
- Capital management decisions;
- Company strategy;
- Board composition.

OUR INVESTMENT PROCESS



INVESTMENT UNIVERSE SCREEN CRITERIA																																											
TOTAL ASX-LISTED COMPANIES*	<p>2,861</p>																																										
INVESTMENT UNIVERSE FUNNEL	<p>COMPANY SIZE & SECURITY TYPE Remove: ASX Top 50, <\$20m market c ap, ETFs</p> <p>REVENUE Remove: No Substantial Revenue</p> <p>INDUSTRY Remove: Industries in structural long-term decline and not conducive to long-term growth ESG Negative Screen: Tobacco, Gambling, Nuclear and Uranium, Controversial Weapons, Coal Mining Operations, Oil and Gas Production</p> <p>BALANCE SHEET Remove: Unsustainable Debt Levels</p>																																										
COMPANIES IN THE NAOS UNIVERSE	<p>354</p>																																										
INVESTMENT CRITERIA	<table border="1"> <thead> <tr> <th data-bbox="529 1144 1321 1167">MANAGEMENT & CULTURE</th> <th data-bbox="1321 1144 1418 1167">COMPANY</th> </tr> </thead> <tbody> <tr> <td data-bbox="529 1167 1321 1211">What is the management team’s industry experience and what is its track record on results, integrity and transparency?</td> <td data-bbox="1321 1167 1418 1211"><input checked="" type="checkbox"/></td> </tr> <tr> <td data-bbox="529 1211 1321 1234">What ownership levels (shareholder alignment) does the management team have?</td> <td data-bbox="1321 1211 1418 1234"><input checked="" type="checkbox"/></td> </tr> <tr> <td data-bbox="529 1234 1321 1256">What is the staff turnover level and what does this say about business loyalty among employees?</td> <td data-bbox="1321 1234 1418 1256"><input checked="" type="checkbox"/></td> </tr> <tr> <td data-bbox="529 1256 1321 1279">What ethical standards do employees have?</td> <td data-bbox="1321 1256 1418 1279"><input 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NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST	<p>50-80</p>																																										
LISTED INVESTMENT COMPANY	<p>0-20</p> <p>ASX: NSC NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED NSC generally invests in 0-20 ASX-listed emerging companies.</p>																																										

* Source: Bloomberg Data June 2022

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NAOS QUALITATIVE INFORMATION SOURCES

The NAOS investment team undertakes fundamental analysis on potential and current investments. Some examples of key focus areas include:

INTERNAL ENGAGEMENT	EXECUTIVE TEAM INCLUDING CEO, CFO, COO AND CTO
	BOARD OF DIRECTORS (INDEPENDENT AND NON-INDEPENDENT)
	WIDER MANAGEMENT TEAM AND STAFF e.g. General managers and sales executives to assistants/associates
EXTERNAL ENGAGEMENT	FORMER EMPLOYEES
	LISTED AND UNLISTED COMPETITORS
	SUPPLIERS (CURRENT AND FORMER)
	CUSTOMERS (CURRENT AND FORMER)
	INDUSTRY CONTACTS AND INDUSTRY ASSOCIATIONS
HANDS ON	COMPANY ANNOUNCEMENTS AND REPORTS
	PRODUCT/SERVICE SAMPLING AND TESTING
	COLD CALLING
RESEARCH	COMPANY ANNOUNCEMENTS AND REPORTS
	TRANSCRIPTS (COMPANY SPECIFIC AND OTHER)
	INDUSTRY REPORTS AND JOURNALS
	SOCIAL MEDIA AND INDUSTRY FORUMS
	SURVEYS, RATINGS AND PROPRIETARY ANALYTICAL TOOLS
	ESG ANALYSIS

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NSC CORE INVESTMENTS

BIG RIVER INDUSTRIES LIMITED

ASX: BRI



Big River Industries Limited was established in the late 1800s and is a large-scale distributor and high-value manufacturer of timber and building materials products across 23 sites in Australia and New Zealand. Big River's integrated business operates across the full continuum of raw materials procurement through to the sale of finished products to customers, including professional builders, form workers, construction companies and building contractors operating in the residential, non-residential and infrastructure markets.

COG FINANCIAL SERVICES LIMITED

ASX: COG



COG Financial Services Limited is Australia's leading aggregator of finance brokers and equipment-leasing services to small to medium-sized enterprises (SMEs). COG's two complementary business divisions of finance broking and aggregation, and lending and funds management, service the financial needs of the SME sector nationwide.

EUREKA GROUP HOLDINGS LIMITED

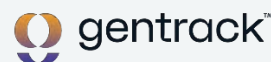
ASX: EGH



Eureka Group Holdings Limited is a provider of quality and affordable rental accommodation for independent seniors living within a community environment. The company's portfolio comprises approximately 2,250 owned and managed units across 41 villages in Queensland, Tasmania, South Australia, Victoria and New South Wales.

GENTRACK GROUP LIMITED

ASX: GTK



Gentrack Group Limited is a technology partner responsible for the design, development, implementation and support of specialist software solutions for energy utilities, water companies and airports. Gentrack's customer- and billing-focused products and services are mission-critical for utility-retailing companies across the UK, Australia, New Zealand and Singapore. Gentrack's Veovo airport operations software is used by more than 140 airports and transport authorities globally.

MAXIPARTS LIMITED

ASX: MXI



MaxiPARTS Limited is a supplier of commercial truck and trailer parts to the road transportation industry. In operation for over 30 years, MaxiPARTS is one of the largest operators in Australia, with a unified support and distribution network across 25 sites nationwide.

MOVE LOGISTICS GROUP LIMITED

NZX: MOV



MOVE Logistics Group Limited is a New Zealand-based logistics company that began operating in New Plymouth in 1869. Today, MOVE has three key operating segments; domestic and international freight, logistics and warehousing; and specialist lifting and transport; with capability to serve more than 3,500 customers. Originally listed on the NZX, the business dual listed on the ASX on 1 July 2022.

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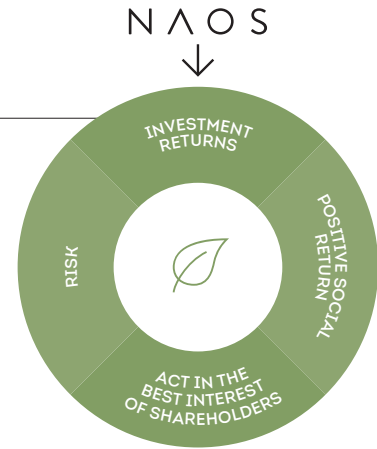
OUR ESG PROCESS

01 OUR COMMITMENT TO RESPONSIBLE INVESTMENT

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term, which benefits not only shareholders but also the broader economy.

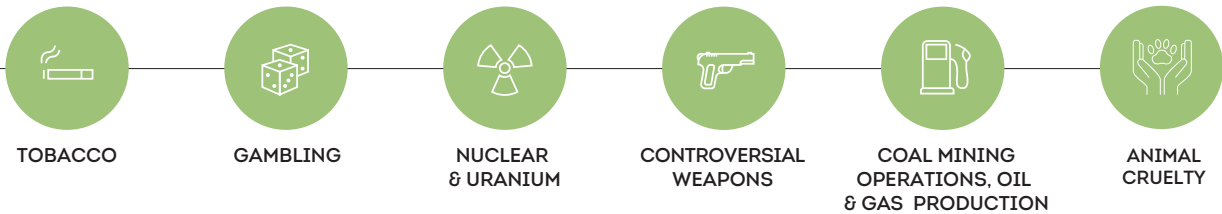
We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

NAOS is a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into its investment practices.



02 NEGATIVE SCREENS

NAOS systematically excludes investing in specific industries and companies that do not align with our responsible investment goals.



03 ESG FRAMEWORK

The types of ESG factors we consider are represented by the following, although from time to time we will consider factors outside this group.



04 THE INCORPORATION OF ESG AND COMPANY QUESTIONNAIRE

The incorporation of ESG considerations into the investment process applies across all NAOS investments and involves regular discussions and engagement with companies over material ESG issues.

ESG considerations rest at the core of the NAOS investment process. While the investment team screens all prospective investments on an ESG basis, NAOS also ensures that all its investee companies abide by the same principles. NAOS seeks to ensure investee companies are acting in a responsible manner, are setting clear targets and are having a positive impact on their respective stakeholders (i.e. employees, clients, community). Their impact on the environment is foremost among these priorities. As part of this process, NAOS has continued to evolve the questionnaire it provides to all investee companies. This questionnaire provides NAOS with transparent, consistent and granular data on how these companies are both performing and improving upon these focus points.

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COMPANIES MAKING A DIFFERENCE

BigRiver

BIG RIVER INDUSTRIES LIMITED
(ASX: BRI)

Big River completed the NAOS ESG questionnaire during FY22.

5 YEARS

NAOS first invested

\$174.3M

Big River market capitalisation as at 30 June 2022

use only



Big River is a large-scale distributor of building materials products as well as a manufacturer of high-value niche timber products for the residential, commercial and industrial construction industries.

HOW IS BRI MAKING A DIFFERENCE?

Big River provided the following examples:

ENVIRONMENTAL:



- Big River’s vision is to maximise the value of every log processed.
- All contracted logs sourced by BRI for manufacturing come from certified forests and include FSC Chain of Custody Certification (tracing the origin of all logs).
- Big River holds long-term wood supply agreements with the NSW Government. Forests NSW estates are recognised as a leader in best practice sustainable management.
- All BRI’s wood waste from manufacturing is chipped and used in its on-site heat plant, reducing the need for energy from the grid and reducing its Scope 1 emissions.
- Big River’s re-use of wood waste has significantly reduced its greenhouse gas emissions (GHG).
- The company has installed solar panels at its three largest energy consumption sites, with more sites to follow.

SOCIAL:



- Women held 22% of management roles across 23 sites in FY22.
- All employee enterprise bargaining agreements (EBAs) are tested against and include the Better Off Overall Test (BOOT).
- External counselling service and physiotherapy programs are free for staff, even if requirement for the service is not work-related.
- Big River’s Modern Slavery Policy must be signed by all international suppliers.
- Traineeships and apprenticeships in place to upskill young employees.
- The company employs 70 staff in Grafton, contributing employment opportunities to the region.
- Most salaried staff can earn a percentage of their base salary subject to key performance indicators (KPIs) being met.
- Lost Time Injury Frequency Rate (LTIFR) has been very low over the last three years at an average of 7.

GOVERNANCE:



- The CEO reports environmental compliance to the Board monthly.
- Four of the seven Board directors are independent.

AREAS FOR IMPROVEMENT:



- Measurement of waste and water usage.
- Formalise a waste management policy.
- Provide a formal policy document on fair remuneration.
- Consider long-term incentives for staff other than senior management.
- Set targets for female participation across the workforce, management and Board.

“As a member of the timber industry, we’re conscious of a range of environmental factors, and ensure we do the utmost to efficiently use and re-use resources where possible. Environmental management and long-term sustainability are very important to us.”

(Jim Bindon, Managing Director and Chief Executive Officer, Big River Industries Limited)

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MOVE

MOVE LOGISTICS GROUP
LIMITED (NZX: MOV)

MOVE completed the NAOS ESG
questionnaire during FY22.

1 YEAR

NAOS first invested

\$132.6M

MOVE's market capitalisation as at 30 June 2022



MOVE is a logistics operator based in New Zealand, specialising in both international and domestic freight and warehousing logistics.

HOW IS MOVE MAKING A DIFFERENCE?

MOVE provided the following examples:

ENVIRONMENTAL:



- MOVE's total GHG emissions fell 15% in the last year.
- MOVE is a member of the New Zealand Climate Leaders Coalition.
- The company is currently using electric-powered metro trucks and forklifts.
- MOVE is diversifying into ocean transport to reduce its overall emissions footprint.
- The company is in the process of investigating new tools and technologies to capture energy and carbon output, in an effort to reduce its carbon footprint.
- MOVE is currently exploring the use of hydrogen and electric fleets, as well as focusing on route/network optimisation and driver training.
- Future built depots will be solar-powered (where possible) and fitted with energy-efficient lighting.
- MOVE currently captures monthly energy use, and individual locations are tasked with improving energy efficiency.

SOCIAL:



- MOVE New Plymouth has partnered with Taranaki Food Bank for several years, supplying driving power and trucks for regular food runs. The use of MOVE's metro trucks significantly increases the amount of food that can be collected by volunteers.
- MOVE is currently working on a group wellbeing program. Employees are offered free counselling through its organisational counselling program (OCP) when needed.
- The company provides extensive training programs.
- Employee engagement surveys are conducted and findings are provided to the Board.

“We want to be a leader in sustainable logistics services. Creation of a sustainable strategy that focuses on our people, customers, investors and communities is important. Our strategy extends to emission reduction targets and transparent reporting, with the aim being a better environment for us all.”

(Excerpt from MOVE's FY21 Annual Report)

GOVERNANCE:



- Diversity at MOVE is demonstrated by a commitment to equal employment opportunities and treating all individuals fairly and with respect.
- The Board regularly reviews the mix of skills, capabilities and diversity on the Board, to ensure effective and equitable governance and oversight of MOVE.
- Monthly Board reporting of environmental measures such as GHG emissions.
- Currently working on Task Force for Climate-Related Financial Disclosure (TCFD).
- MOVE operates a Governance and Remuneration Committee, which is responsible for ensuring a formal and transparent process is followed for the remuneration of directors and senior executives of MOVE Logistics.
- In FY22, women represented 18% of the MOVE workforce, up from 16% in FY21.
- MOVE has an independent female chair of the Board.

AREAS FOR IMPROVEMENT:



- Capture water use and paper consumption data to determine significance of these metrics for improvement.
- Creation of a formal waste management policy to cover the company as a whole.
- Reporting on diversity and the representation of under-represented social groups to take into consideration groups with societal barriers based on gender, sexual orientation, age, disability, low-income status or First Nations Australian communities.
- Female representation in all areas to be improved, especially in management where representation has fallen. An increase in the number of directors could also include increased female representation on the Board (post FY20–21).
- Continue to reduce diesel power usage to further reduce GHG emissions.
- Review of the alignment processes and financial alignment of directors.

OUR TEAM

SEBASTIAN EVANS
*Chief Investment Officer
and Managing Director*



Sebastian is a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager, since 2010. Sebastian is the CIO across all investment strategies.

Sebastian holds a Master of Applied Finance (MAppFin) majoring in investment management as well as a Bachelor of Commerce majoring in finance and international business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.

BRENDAN YORK
Portfolio Manager



Brendan joined NAOS in July 2021 as a portfolio manager. Brendan has over 19 years' finance, accounting and M&A experience. Most recently, Brendan had a 15-year career with ASX-listed marketing services business Enero Group Limited in finance roles and ultimately, as CFO and Company Secretary for a nine-year period. Prior to that, Brendan spent four years at KPMG.

Brendan is a chartered accountant and holds a Bachelor of Business Administration and a Bachelor of Commerce from Macquarie University.

NELSON DE MESTRE
Associate Analyst



Nelson joined NAOS as an associate analyst in July 2020. He has a Bachelor of Commerce from the University of Sydney.

ROBERT MILLER
Portfolio Manager



Robert joined NAOS in September 2009 as an investment analyst. Robert has been a portfolio manager since November 2014 and is currently Portfolio Manager across all NAOS LICs: NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC).

Robert holds a Bachelor of Business from the University of Technology, Sydney. Robert also holds a Master of Applied Finance (MAppFin) from the Financial Services Institute of Australasia/Kaplan.

JARED TILLEY
Senior Investment Analyst



Jared joined NAOS in April 2021 as Senior Investment Analyst. Jared has over 15 years' financial services experience. Most recently Jared was an investment analyst at Contact Asset Management and prior to that spent nine years at Colonial First State.

Jared holds a Bachelor of Commerce majoring in accounting and finance, from the University of Notre Dame, Sydney, and is a CFA Charterholder.

JULIE COVENTRY
ESG Officer



Julie joined NAOS in November 2012 as Compliance Officer and in January 2021, commenced the role of ESG Officer.

Prior to joining NAOS, Julie worked within the compliance and performance teams at BZW Investment Management, Commonwealth Bank, Colonial First State, and QBE.

Julie holds a Bachelor of Business majoring in finance and economics from the University of Technology, Sydney, and she also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

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RICHARD PREEDY

Chief Financial and Operating Officer



Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 15 years' financial services experience in the UK and Australia, beginning his career in London with Deloitte & Touche before relocating to Sydney in 2013.

Richard holds a BA (Hons) in Business Management from the University of Sheffield, is a fully qualified chartered accountant and is a member of the Governance Institute of Australia.

ANGELA ZAMMIT

Marketing and Communications Manager



Angela joined NAOS in May 2020 in the capacity of Marketing and Communications Manager.

Prior to joining NAOS, Angela held marketing roles for companies in both Australia and the UK, including SAI Global, American Express, Citibank, and Arete Marketing.

Angela holds a Bachelor of Communications majoring in advertising and marketing from the University of Canberra.

RAJIV SHARMA

Head of Legal and Compliance



Rajiv is Head of Legal and Compliance at NAOS and holds a Bachelor of Laws (First Class Honours), a Bachelor of Business (accounting major) and a Graduate Diploma in Legal Practice from the University of Technology, Sydney.

Rajiv has over 12 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management Group (TSX: EFN) and Magellan Financial Group (ASX: MFG). He has also previously worked at law firms Johnson Winter & Slattery, and Clayton Utz.

Rajiv is a member of the Law Society of New South Wales, an Associate of the Governance Institute of Australia and is admitted to the Supreme Court of New South Wales and the High Court of Australia.

HAYLEY COY

Marketing Coordinator



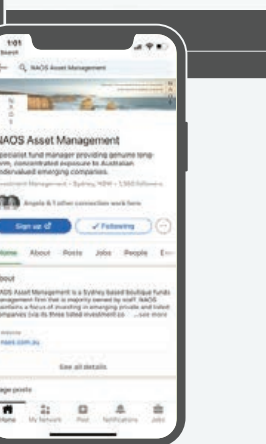
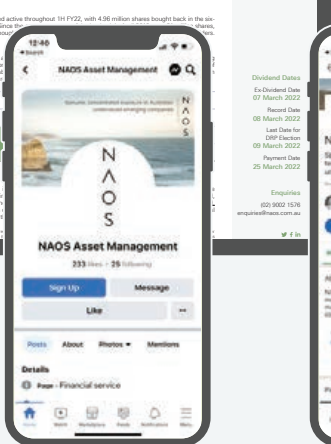
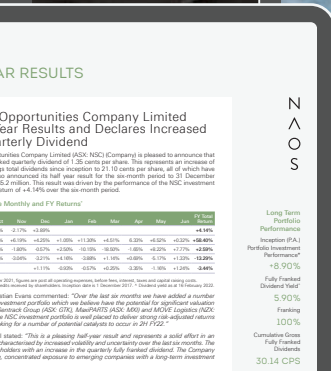
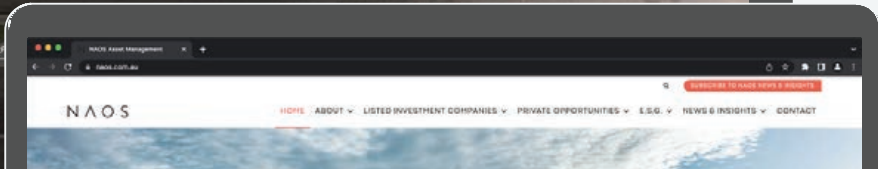
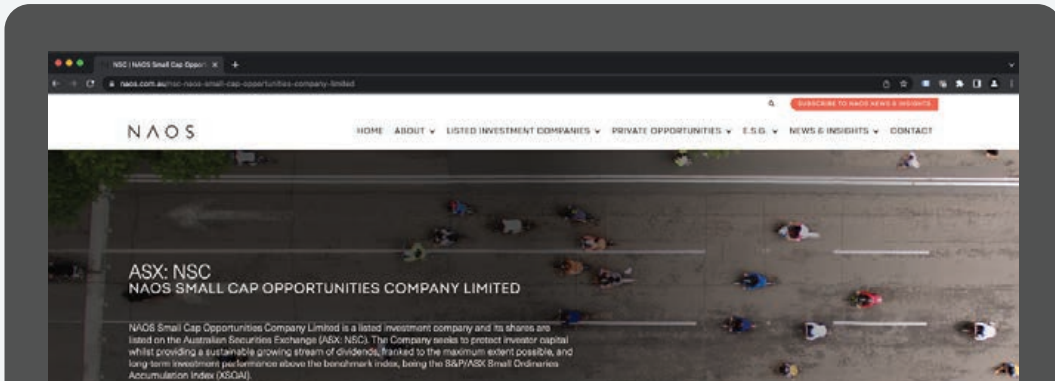
Hayley joined NAOS in April 2022 as Marketing Coordinator.

Prior to NAOS, Hayley worked in numerous roles, from Australian fashion/interior designers to start-ups and media agencies, where she was responsible for graphic design, social media coordination, and event planning.

Hayley holds a Bachelor of Design from the University of New South Wales.

SHAREHOLDER COMMUNICATIONS

NAOS Asset Management is committed to keeping all shareholders up to date. We endeavour to produce timely updates and relevant communications throughout the financial year. We also welcome shareholder feedback, so please email any feedback or suggestions to enquiries@naos.com.au



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NAOS GIVING BACK

To be caretakers of the next generation we must actively support positive change. Supporting our commitment to ESG issues, NAOS Asset Management (the management company) donates 1% of recurring revenue to the community and the environment.

NAOS is proud to be supporting:



Healthy, productive landscapes where people and nature thrive



Together, we're returning the bush to good health



Dedicated to providing health care to Australians in remote communities



Supporting children aged 8–18 years, living in families impacted by mental illness

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DIRECTORS' REPORT

The Directors present their report together with the financial report of NAOS Small Cap Opportunities Company Limited (the "Company") for the financial year ended 30 June 2022.

COMPANY INFORMATION

The Company is a listed investment company ("LIC") and its shares are listed on the Australian Securities Exchange. Since 20 October 2017, the Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence No. 273529) (the Investment Manager).

PRINCIPAL ACTIVITIES

The Company invests primarily in a concentrated portfolio of small-cap Australian listed equities that are not included in the S&P/ASX 100 Index with the objective of providing investors with genuine exposure to small-cap industrial companies, with a long-term value focus.

DIRECTORS AND OFFICERS

The following persons held office as Directors of the Company during or since the end of the year:

Directors

Name	Appointment Date	Period of Office
Trevor Carroll (Independent Chair)	27 March 2017	27 March 2017 – present
Warwick Evans	20 October 2017	20 October 2017 – present
David Rickards OAM	28 February 2018	28 February 2018 – present
Sebastian Evans	20 October 2017	20 October 2017 – present

The qualifications and experience of each person who has been a Director of the Company at any time since 1 July 2021 are provided below.

DIRECTORS INFORMATION

Trevor Carroll – Independent Chair

Trevor Carroll has been a Director of the Company since 27 March 2017 and was appointed Chair on 26 October 2017.

Trevor was formerly Australian/New Zealand CEO of Electrolux Home Products. With over 30 years of experience in consumer-focused product strategy, brand marketing and manufacturing, Trevor's experience extends to membership of the Electrolux Global Product Council, which is responsible for product development worldwide.

Following his retirement as CEO, Trevor undertook a role in Shanghai advising Electrolux China on product strategy. In recent years, Trevor has been a director of The Good Guys, Fusion Retail Brands, Big Sister Food Group and Crane Group.

He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008. Trevor holds a Bachelor of Commerce from Canterbury University (NZ).

Warwick Evans – Non-independent Director

Warwick Evans has been a Director of the Company since 20 October 2017. Warwick is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC), and NAOS Asset Management Limited, the Investment Manager.

Warwick has over 35 years of equity market experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001, and as an executive director for Macquarie Group. He was founding Chairman and CEO of the Newcastle Stock Exchange (NSX) and was also Chairman of the Australian Stockbrokers Association. Prior to these positions, Warwick was an executive director at County NatWest.

Warwick holds a Bachelor of Commerce from the University of New South Wales majoring in economics.

DIRECTORS INFORMATION (CONTINUED)

David Rickards OAM – Independent Director

David Rickards has been an Independent Director of the Company since 28 February 2018. David is also an Independent Director and Chairman of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC). He is also Co-Founder of Social Enterprise Finance Australia (Sefa) and until recently, he was a director and treasurer of Bush Heritage Australia.

David has over 25 years of equity market experience, most recently as an executive director at Macquarie Group where David was head of equities research globally as well as equity strategy since 1989 until he retired in mid-2013. David was also a consultant for the financial analysis firm Barra International.

David holds a Masters of Business Administration from the University of Queensland majoring in Accounting and Finance. He also has a Bachelor of Engineering (Civil Engineering) and a Bachelor of Engineering (Structural Engineering) from the University of Sydney, and a Bachelor of Science (Pure Mathematics and Geology).

Sebastian Evans – Non-independent Director

Sebastian Evans has been a Director of the Company since 20 October 2017. Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management, the Investment Manager, since 2010.

Sebastian is the CIO across all investment strategies. He holds a Master of Applied Finance (MAppFin) majoring in investment management as well as a Bachelor of Commerce majoring in finance and international business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.

COMPANY SECRETARY

The following persons held office as Company Secretary during or since the end of the financial year.

Name	Appointment Date	Period of Office
Rajiv Sharma	12 March 2021	12 March 2021 – present
Sebastian Evans	10 July 2019	10 July 2019 – present

Company Secretary Information

Rajiv Sharma, Company Secretary

Rajiv is Head of Legal and Compliance at NAOS Asset Management and holds a Bachelor of Laws (First Class Honours), a Bachelor of Business (Accounting major) and a Graduate Diploma in Legal Practice from the University of Technology, Sydney.

Rajiv has over 12 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management Group (TSX: EFN) and Magellan Financial Group (ASX: MFG). He has also previously worked at law firms Johnson Winter & Slattery and Clayton Utz.

Rajiv is a member of the Law Society of New South Wales, an Associate of the Governance Institute of Australia and is admitted to the Supreme Court of New South Wales and the High Court of Australia.

MEETINGS OF DIRECTORS

The following table shows the number of meetings held during the financial year ended 30 June 2022.

Year ended 30 June 2022	Eligible to attend	Attended
Mr Trevor Carroll (Chair)	12	12
Mr Warwick Evans (Director)	12	12
Mr David Rickards (Director)	12	12
Mr Sebastian Evans (Director)	12	12

DIRECTORS' REPORT

Continued

REVIEW OF OPERATIONS

The Company's operating loss before tax for the year ended 30 June 2022 was \$30,932,756 (30 June 2021: operating profit before tax of \$71,118,170), and operating loss after tax for the year was \$19,787,661 (30 June 2021: operating profit after tax of \$51,526,117). The loss for the year is primarily attributable to the performance of the investment portfolio, which in a challenging year for equities returned -14.72% for the financial year, outperforming the Benchmark S&P/ASX Small Ordinaries Accumulation Index which returned -19.52% for the financial year.

The post-tax Net Tangible Asset ('NTA') value per share of the Company has decreased from \$1.02 to \$0.84 over the year, which was mainly driven by the performance of the investment portfolio, and also reflects the 5.20 cents per share of fully franked dividends paid to shareholders during the year.

The on-market share buyback continued to be active during the financial year to take advantage of the discount of the share price relative to NTA. During the financial year, a total of 9,597,672 shares were bought back for a total consideration of \$8,389,182. The buyback of shares by the Company at a discount is accretive to NTA per share and as such the Board considers the buyback program to be an effective use of the Company's capital and thus in the interests of all shareholders.

In July 2021, the Company completed the issue of a further \$5.171 million of unsecured notes, carrying an interest entitlement of 4.95% per annum and an expiry date of 2 December 2024.

During the year, 82,325 bonus options (ASX: NSCOA) were exercised and converted into ordinary shares. As at 30 June 2022, 50,874,164 bonus options remain unexercised. The bonus options have an exercise price of \$1.02 and an expiry date of 28 June 2024.

Please refer to the Investment Manager's Review on page 12 for further information regarding the performance of the Company.

FINANCIAL POSITION

The net tangible asset value of the Company as at 30 June 2022 was \$120,401,464 (2021: \$156,214,754). Further information on the financial position of the Company is included in the Chair's Letter.

DIVIDENDS PAID OR PAYABLE

Year ended 30 June 2022	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2021 Final quarterly dividend (declared on 19 August 2021)	1.25	1,901	100%	20 September 2021
2022 First quarterly interim dividend (declared on 20 October 2021)	1.25	1,878	100%	30 November 2021
2022 Second quarterly interim dividend (declared on 17 February 2022)	1.35	1,985	100%	25 March 2022
2022 Third quarterly interim dividend (declared on 20 April 2022)	1.35	1,956	100%	6 June 2022
	5.20	7,720		
Year ended 30 June 2021	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2020 Final quarterly dividend (declared on 20 August 2020)	1.00	1,574	100%	16 September 2020
2021 First quarterly interim dividend (declared on 15 October 2020)	1.25	1,950	100%	26 November 2020
2021 Second quarterly interim dividend (declared on 18 February 2021)	1.25	1,933	100%	18 March 2021
2021 Third quarterly interim dividend (declared on 21 April 2021)	1.25	1,931	100%	26 May 2021
	4.75	7,388		

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DIVIDENDS PAID OR PAYABLE (CONTINUED)

Since 30 June 2022, the Board has declared a final quarterly dividend of 1.05 cents per share, fully franked, to be paid on 21 September 2022.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company.

SUBSEQUENT EVENTS

On 18 August 2022, the Company declared a fully franked quarterly dividend of 1.05 cents per share, payable on 21 September 2022.

Other than the above, there has been no other matter or circumstance occurring subsequent to the end of the year 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 future financial years.

LIKELY DEVELOPMENTS

The Company will be managed in accordance with the Constitution and its investment objectives.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a state or territory. There have been no known significant breaches of any other environmental requirements applicable to the Company.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the Company paid premiums in respect of contracts insuring the Directors against a liability incurred as a Director or executive officer to the extent permitted by the *Corporations Act 2001* (Cth). The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability as such an officer or auditor.

ROUNDING

The Company has applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company.

NON-AUDIT SERVICES

No non-audit services were provided by Deloitte Touche Tohmatsu during the year. Refer to Note 12 of this financial report for details of auditor remuneration.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43.

DIRECTORS' REPORT

Continued

REMUNERATION REPORT - AUDITED

The Directors of the Company present the Remuneration Report to shareholders. The report is a requirement under section 300A (1) of the *Corporations Act 2001* and covers the following information:

- the Board's policy for determining the nature and amount of remuneration of Directors and other key management personnel (if any) of the Company;
- a discussion of the relationship between such policy and the Company's performance; and
- the details of the remuneration of the Directors and other management personnel (if any).

Remuneration of Directors

The Board from time to time determines remuneration of Directors within the maximum amount approved by shareholders. This is the only remuneration that Directors are entitled to.

Payments to Directors reflect the demands and responsibilities of their roles and are reviewed annually by the Board. The Company determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors. The maximum amount is currently \$750,000 (including superannuation contributions) as approved by shareholders at the 2013 AGM.

Director's remuneration received for the year ended 30 June 2022 and 30 June 2021 are disclosed below:

	Short-term employee benefits Directors' fees	Post- employment benefit superannuation	Total
30 June 2022	\$	\$	\$
Mr Trevor Carroll (Chair)	31,818	3,182	35,000
Mr Warwick Evans (Director)	22,727	2,273	25,000
Mr David Rickards (Director)	22,727	2,273	25,000
Mr Sebastian Evans (Director)	-	-	-
Total	77,272	7,728	85,000

	Short-term employee benefits Directors' fees	Post- employment benefit superannuation	Total
30 June 2021	\$	\$	\$
Mr Trevor Carroll (Chair)	31,964	3,036	35,000
Mr Warwick Evans (Director)	22,831	2,169	25,000
Mr David Rickards (Director)	22,831	2,169	25,000
Mr Sebastian Evans (Director)	-	-	-
Total	77,626	7,374	85,000

Mr Sebastian Evans is remunerated by the Investment Manager and is currently not entitled to Director's remuneration from the Company.

REMUNERATION REPORT – AUDITED (CONTINUED)

Interest in shares and options of the Company

During the year ended 30 June 2022 and the year ended 30 June 2021, the relevant interests of the Directors and their related parties in the shares and bonus options of the Company were as follows:

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2022	No of shares	No of shares	No of shares	No of shares
Mr Trevor Carroll (Chair)	194,449	11,869	–	206,318
Mr Warwick Evans (Director)	594,244	36,270	–	630,514
Mr David Rickards (Director)	338,763	14,721	–	353,484
Mr Sebastian Evans (Director)	1,158,500	99,100	–	1,257,600

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2021	No of shares	No of shares	No of shares	No of shares
Mr Trevor Carroll (Chair)	182,024	12,425	–	194,449
Mr Warwick Evans (Director)	556,271	37,973	–	594,244
Mr David Rickards (Director)	317,115	21,648	–	338,763
Mr Sebastian Evans (Director)	1,158,500	–	–	1,158,500

Bonus options	Opening balance	Acquired	Exercised	Closing balance
Year ended 30 June 2022	No of bonus options	No of bonus options	No of bonus options	No of bonus options
Mr Trevor Carroll (Chair)	63,861	–	–	63,861
Mr Warwick Evans (Director)	195,161	–	–	195,161
Mr David Rickards (Director)	111,256	–	–	111,256
Mr Sebastian Evans (Director)	386,166	–	–	386,166

Bonus options	Opening balance	Issued	Exercised	Closing balance
Year ended 30 June 2021	No of bonus options	No of bonus options	No of bonus options	No of bonus options
Mr Trevor Carroll (Chair)	–	63,861	–	63,861
Mr Warwick Evans (Director)	–	195,161	–	195,161
Mr David Rickards (Director)	–	111,256	–	111,256
Mr Sebastian Evans (Director)	–	386,166	–	386,166

DIRECTORS' REPORT

Continued

REMUNERATION REPORT – AUDITED (CONTINUED)

Consequences of Company's Performance on Shareholder Wealth

The following table summarises Company performance and Directors' remuneration over 5 years:

	2022	2021	2020	2019	2018
Operating profit/(loss) after tax (\$'000)	(19,788)	51,527	1,412	(17,702)	4,744
Dividends (cents per share)	5.00	5.00	4.00	4.00	5.50
Level of franking on dividends (%)	100	100	100	100	100
NTA after tax (\$ per share)	0.84	1.02	0.73	0.75	0.92
Total Directors' remuneration (\$)	85,000	85,000	85,000	85,000	111,572
Shareholder's equity (\$'000)	120,401	156,215	115,842	125,457	155,342

Director fees are not linked to the Company's performance.

End of Remuneration Report (Audited).

Signed in accordance with a resolution of Directors of the Company made pursuant to Section 298 (2) of the *Corporations Act 2001*.



Sebastian Evans
Director

18 August 2022

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AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
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The Board of Directors
NAOS Small Cap Opportunities Company Limited
Level 34, 25 Martin Place
Sydney NSW 2000

18 August 2022

Dear Directors,

NAOS Small Cap Opportunities Company Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of NAOS Small Cap Opportunities Company Limited.

As lead audit partner for the audit of the financial statements of NAOS Small Cap Opportunities Company Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Members of NAOS Small Cap Opportunities Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NAOS Small Cap Opportunities Company Limited (the "Company", which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Valuation and existence of Level 1 financial assets held at fair value through profit or loss</p> <p>The Company's listed equity securities are the most significant driver of the Company's net tangible assets and the profit or loss attributable to shareholders.</p> <p>As at 30 June 2022, the Company's listed equity securities held at fair value through profit or loss totalled circa \$152 million as disclosed in Notes 7 and 17.</p> <p>Listed equity securities are fair valued using the unadjusted last sale price quoted on the Australian Securities Exchange. Changes in the fair value of the listed securities are recognised through profit or loss.</p> <p>Given the significance of the listed equity securities, the key audit matter is whether the Company has ownership of the listed equity securities and has accurately recorded the fair value movements for the reporting period.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating key controls in place at the outsourced service providers (i.e. administrator and custodian) in relation to the valuation and existence of financial assets at fair value through profit or loss, including any exceptions noted; • Obtaining confirmation of the investment holdings directly from the custodian; • On a sample basis, agreeing the valuation of listed equity securities to an independent pricing source; • On a sample basis, agreeing the investment holdings to the external custodian's holdings statement; and • Reperforming a reconciliation of the financial assets balance for the period ended 30 June 2022, including purchases, sales, other relevant transactions. <p>We also assessed the appropriateness of the disclosures in Notes 7 and 17 to the financial statements.</p>

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 42 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of NAOS Small Cap Opportunities Company Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon
Partner
Chartered Accountants
Canberra, 18 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Income	3	(25,549)	76,174
Expenses			
Management fees	16	(2,179)	(1,885)
Interest expense	9	(1,573)	(1,326)
Transaction costs		(641)	(798)
Listing, custody and registry fees		(221)	(316)
Legal and professional fees		(61)	(88)
Amortisation costs		(185)	(160)
Directors' remuneration expense		(85)	(85)
Other expenses from ordinary activities		(439)	(398)
(Loss)/profit before income tax benefit/(expense)		(30,933)	71,118
Income tax benefit/(expense)	4(a)	11,145	(19,591)
(Loss)/profit for the year attributable to shareholders of the Company		(19,788)	51,527
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to shareholders of the Company		(19,788)	51,527
Basic and diluted (losses)/earnings per share (cents per share)	18	(13.33)	33.12

The accompanying notes to the financial statements should be read in conjunction with this statement.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	13(a)	459	456
Trade and other receivables	6	749	1,797
Prepayments		103	95
Financial assets at fair value through profit or loss	7	152,113	193,904
Total current assets		153,424	196,252
Non-current assets			
Deferred tax assets	4(b)	496	2,662
Total non-current assets		496	2,662
Total assets		153,920	198,914
Liabilities			
Current liabilities			
Trade and other payables	8	834	1,969
Total current liabilities		834	1,969
Non-current liabilities			
Deferred tax liabilities	4(c)	965	14,276
Borrowings	9	31,720	26,454
Total non-current liabilities		32,685	40,730
Total liabilities		33,519	42,699
Net assets		120,401	156,215
Equity			
Issued capital	10	182,836	191,142
Profits reserve	11(a)	30,277	32,793
Accumulated losses	11(b)	(92,712)	(67,720)
Total equity		120,401	156,215

The accompanying notes to the financial statements should be read in conjunction with this statement.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE
2022

	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	194,908	23,543	(102,609)	115,842
Profit for the year	–	–	51,527	51,527
Transfer to profits reserve	–	16,638	(16,638)	–
Dividends paid	–	(7,388)	–	(7,388)
Share options exercised	148	–	–	148
DRP shares allotted	1,037	–	–	1,037
Purchase of shares on-market for DRP	(1,037)	–	–	(1,037)
Shares bought back from shareholders	(3,914)	–	–	(3,914)
Balance at 30 June 2021	191,142	32,793	(67,720)	156,215
Balance at 1 July 2021	191,142	32,793	(67,720)	156,215
Loss for the year	–	–	(19,788)	(19,788)
Transfer to profits reserve	–	5,204	(5,204)	–
Dividends paid	–	(7,720)	–	(7,720)
DRP shares allotted	1,114	–	–	1,114
Purchase of shares on-market for DRP	(1,114)	–	–	(1,114)
Share options exercised	84	–	–	84
Shares bought back from shareholders	(8,390)	–	–	(8,390)
Balance at 30 June 2022	182,836	30,277	(92,712)	120,401

The accompanying notes to the financial statements should be read in conjunction with this statement.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Cash flows from operating activities			
Payments for purchase of investments		(83,299)	(90,456)
Proceeds from sale of investments		92,368	99,769
Dividends received		6,526	6,074
Interest received		–	115
Interest paid to note holders		(1,565)	(1,336)
Other payments		(3,082)	(2,783)
Net cash provided by operating activities	13(b)	10,948	11,383
Cash flows from financing activities			
Purchase of shares on-market for DRP		(1,114)	(1,037)
Share options exercised		84	148
Dividends paid net of amounts reinvested		(6,606)	(6,351)
Payments for buyback of shares		(8,390)	(3,914)
Net proceeds from issue of unsecured notes		5,081	–
Net cash used in financing activities		(10,945)	(11,154)
Net increase in cash and cash equivalents		3	229
Cash and cash equivalents at the beginning of the year		456	227
Cash and cash equivalents at the end of the year	13(a)	459	456

The accompanying notes to the financial statements should be read in conjunction with this statement.

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NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

NAOS Small Cap Opportunities Company Limited (the "Company") is a public company listed on the Australian Securities Exchange (ASX: NSC) registered and domiciled in Australia. The Company was constituted on 14 January 2004 and commenced operations on 25 March 2004.

The registered office and principal place of business of the Company is Level 34, 25 Martin Place, Sydney NSW 2000.

NAOS Asset Management Limited (the Investment Manager) is the Investment Manager for the Company. The financial statements were authorised for issue by the Directors on 18 August 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board (the "AASB"), and the *Corporations Act 2001* in Australia. For the purposes of preparing these financial statements, the Company is a for-profit entity.

This general purpose financial report has been prepared on an accruals basis using historical cost convention, except for the revaluation of investments in financial assets and liabilities, which have been measured at fair value.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Refer to Note 1(s) for critical accounting judgements and key sources of estimation uncertainty.

b) Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current year presentation.

c) Statement of Compliance

The financial report of the Company, comprising the financial statements and notes thereto, complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB").

d) Reporting Currency

All amounts are presented in Australian dollars as the functional and presentational currency of the Company.

e) Going Concern Basis

This financial report has been prepared on a going concern basis.

f) Revenue and Income Recognition

Revenue

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

Net gains/(losses) on financial instruments held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the period end and the fair value at the previous valuation point. Net gains/(losses) also include realised gain/losses, and do not include interest, dividend income, or other income.

Dividends

Dividend income is recognised on the ex-dividend date with any corresponding foreign withholding tax recorded as an expense.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Revenue and Income Recognition (continued)

Interest Income

Interest income is recognised on a time-proportionate basis taking into account the effective yield on the financial assets.

g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

h) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 *Financial Instruments: Presentation*, are categorised in accordance with AASB 9 *Financial Instruments*. This classification is determined by the purpose underpinning the acquisition of the investment.

(i) Initial recognition, measurement and derecognition

The Company recognises financial assets and financial liabilities on the date that it becomes party to the contractual agreement (trade date).

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(ii) Classification and subsequent measurement

Financial Assets and Liabilities held at Fair Value Through Profit or Loss

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the Statement of Profit or Loss and Other Comprehensive Income within net gains/(losses) on financial instruments held at fair value through profit or loss in the year in which they arise.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Company is the current close price and the quoted market price for financial liabilities is the current close price.

Financial Liabilities

Financial liabilities include trade and other payables, and borrowings. Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Impairment of Financial Assets

The Company recognises a loss allowance for expected credit losses ('ECL') on financial assets excluding investments that are measured at fair value through profit and loss.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instruments has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The amount of impairment loss will be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

i) Expenses

All expenses, including the Investment Manager's fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 1(f) above. Receivables also include such items as Reduced Input Tax Credits ("RITC").

k) Payables

Trade and other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities, amounts due to brokers and accrued expenses owed by the Company which are unpaid as at the end of the reporting period.

l) Taxation

The income tax expense/(benefit) comprises current tax and movements in deferred tax.

Current income tax expense/(benefit) is the tax payable/(receivable) on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Current and deferred tax expense/(benefit) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated 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 enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, and where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

m) Dividends

Dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

n) Share Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

o) Profits Reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Earnings per Share

Basic earnings per share are calculated by dividing net profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share are calculated by dividing net profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

r) Rounding of Amounts

The Company has applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the accounting policies, management are required to make judgements, estimates and assumptions about carrying values of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New or Amended Accounting Standard and Interpretations Adopted in the Current Period

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These Standards and Interpretations did not have a material impact on these financial statements.

New Accounting Standards and Interpretations Not Yet Adopted

There are no new accounting standards or interpretations applicable that would have a material impact for the Company.

3. INCOME

	Year ended 30 June 2022	Year ended 30 June 2021
	\$'000	\$'000
Net (losses)/gains on financial assets held at fair value through profit or loss	(32,070)	70,342
Interest income	–	114
Dividend income	6,521	5,718
Total income	(25,549)	76,174

4. INCOME TAX

a) Income Tax (benefit)/expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Prima facie income tax (benefit)/expense calculated at 30%	(9,280)	21,336
Less the tax effect of:		
Imputation credit gross up	807	741
Franking credit offset	(2,690)	(2,470)
Under/(over) provision from prior year	18	(16)
	(11,145)	19,591
Effective tax rate	36%	28%

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Change in deferred tax liability	(13,311)	14,276
Change in deferred tax asset	2,166	5,315
	(11,145)	19,591

b) Deferred tax assets

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Tax losses	443	2,587
Accruals	20	38
Capitalised issue costs	33	37
	496	2,662

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Movement in deferred tax assets		
Balance at the beginning of the period	2,662	7,977
(Charged)/credited to the Statement of Profit or Loss and Comprehensive Income	(2,166)	(5,315)
At Reporting Date	496	2,662

NOTES TO THE FINANCIAL STATEMENTS

Continued

4. INCOME TAX (CONTINUED)

c) Deferred tax liabilities

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Temporary differences in relation to:		
Unrealised gains on investments	965	14,276
	965	14,276
	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Movement in deferred tax liabilities		
Balance at the beginning of the year	14,276	–
Credited to the Statement of Profit or Loss and Comprehensive Income	(13,311)	14,276
At reporting date	965	14,276

5. DIVIDENDS PAID OR PAYABLE

Year ended 30 June 2022	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2021 Final quarterly dividend (declared on 19 August 2021)	1.25	1,901	100%	20 September 2021
2022 First quarterly interim dividend (declared on 20 October 2021)	1.25	1,878	100%	30 November 2021
2022 Second quarterly interim dividend (declared on 17 February 2022)	1.35	1,985	100%	25 March 2022
2022 Third quarterly interim dividend (declared on 20 April 2022)	1.35	1,956	100%	6 June 2022
		7,720		
Year ended 30 June 2021	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2020 Final quarterly dividend (declared on 20 August 2020)	1.00	1,574	100%	16 September 2020
2021 First quarterly interim dividend (declared on 15 October 2020)	1.25	1,950	100%	26 November 2020
2021 Second quarterly interim dividend (declared on 18 February 2021)	1.25	1,933	100%	18 March 2021
2021 Third quarterly interim dividend (declared on 21 April 2021)	1.25	1,931	100%	26 May 2021
		7,388		

5. DIVIDENDS PAID OR PAYABLE (CONTINUED)

Dividend Franking Information

	Year ended 30 June 2022 \$'000	Year ended 30 June 2021 \$'000
Franking credits available for shareholders from previous financial years	953	1,650
Impact on the franking account of dividends paid during the year	(3,309)	(3,166)
Impact on the franking account of dividends received during the year	2,690	2,469
Franking account balance at reporting date	334	953

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

6. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Other receivables	62	94
Unsettled trade receivables	687	1,703
Total	749	1,797

Receivables are non-interest bearing and unsecured. Outstanding trades, i.e. "Unsettled trade receivables", are on the terms operating in the investment management industry which usually require settlement within two days of the date of the transaction. None of the receivables are past due or impaired at the end of the reporting period (2021: \$nil).

7. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial Assets at Fair Value through Profit or Loss

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Investment in listed equities	150,932	193,477
Investment in listed options	1,181	–
Investment in listed unit trusts	–	427
Total financial assets at fair value through profit or loss	152,113	193,904

Disclosed Fair Values

For all financial instruments other than those measured at fair value, their carrying value approximates fair value as they are either cash/cash equivalents and/or short term in nature such as trade and other payables/receivables.

NOTES TO THE FINANCIAL STATEMENTS

Continued

8. TRADE AND OTHER PAYABLES

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Unsettled trades payable	485	1,514
Other payables	349	455
Total	834	1,969

Payables are non-interest bearing and unsecured. Unsettled trades are on the terms operating in the investment management industry which usually require settlement within two days of the date of the transaction.

9. BORROWINGS

The Company has on issue \$32.2 million unsecured notes with a 5-year term, carrying an interest entitlement of 4.95% per annum. The unsecured notes are due for repayment on 2 December 2024. Terms of the unsecured notes are regulated under a trust deed between the Company and Equity Trustees Limited.

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Opening balance of unsecured notes	26,454	26,294
Unsecured notes issued in the period	5,171	–
Less issue costs	(90)	–
Add amortisation of costs for period	185	160
At reporting date	31,720	26,454

10. ISSUED CAPITAL

	30 June 2022		30 June 2021	
	No. of Shares	\$'000	No. of Shares	\$'000
Issued and paid-up capital – ordinary shares	143,720,906	182,836	153,236,253	191,142

Detailed provisions relating to the rights attaching to these shares are set out in the Company's Constitution and the *Corporations Act 2001*. The detailed provisions relating to the rights attaching to shares under the Constitution and the *Corporations Act 2001* are summarised below.

Each share will confer on its holder:

- (a) the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the *Corporations Act 2001*;
- (b) the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per share) subject to the rights and restrictions on voting which may attach to or be imposed on shares (at present there are none);
- (c) the right to receive dividends;
- (d) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to the rights of a liquidator of the Company (with consent of members by special resolution); and
- (e) subject to the *Corporations Act 2001* and the ASX Listing Rules, shares are fully transferable.

10. ISSUED CAPITAL (CONTINUED)

Movements in Ordinary Share Capital

	No. of shares	\$'000
Opening balance 1 July 2020	158,809,641	194,908
Shares allotted under DRP	1,449,432	1,037
Purchase of shares on market for DRP	(1,449,432)	(1,037)
Shares bought back	(5,718,964)	(3,914)
Share options exercised	145,576	148
Closing balance 30 June 2021	153,236,253	191,142
Opening balance 1 July 2021	153,236,253	191,142
Shares allotted under DRP	1,279,228	1,114
Purchase of shares on market for DRP	(1,279,228)	(1,114)
Shares bought back	(9,597,672)	(8,390)
Share options exercised	82,325	84
Closing Balance 30 June 2022	143,720,906	182,836

11. PROFITS RESERVE AND ACCUMULATED LOSSES

a) Profits Reserve

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Opening balance	32,793	23,543
Transfer to profits reserve	5,204	16,638
Dividends paid	(7,720)	(7,388)
Balance at reporting date	30,277	32,793

To the extent possible under the *Corporations Act 2001* and applicable tax laws, the profits reserve is preserved for future dividend payments.

b) Accumulated Losses

	As at 30 June 2022 \$'000	As at 30 June 2021 \$'000
Balance at the beginning of the year	(67,720)	(102,609)
Transfer to profits reserve	(5,204)	(16,638)
Profit for the year attributable to the members of the Company	(19,788)	51,527
Balance at reporting date	(92,712)	(67,720)

NOTES TO THE FINANCIAL STATEMENTS

Continued

12. AUDITOR'S REMUNERATION

	Year ended 30 June 2022	Year ended 30 June 2021
	\$	\$
Audit and other assurance services – Deloitte Touche Tohmatsu		
Audit and review of financial reports	60,270	56,300
Total remuneration for audit and other assurance services	60,270	56,300

13. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	As at 30 June 2022	As at 30 June 2021
	\$'000	\$'000
Cash at bank	459	456

b) Reconciliation of Profit for the year to cash provided by operating activities

	Year ended 30 June 2022	Year ended 30 June 2021
	\$'000	\$'000
(Loss)/profit for the year attributable to shareholders after tax	(19,788)	51,527
Adjustments for:		
Amortisation expense on unsecured notes	185	160
Change in value of financial assets held at fair value through profit or loss	41,791	(59,923)
Income tax (benefit)/expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	(11,145)	19,591
Change in assets and liabilities		
Decrease/(increase) in trade and other receivables	1,040	(1,418)
(Decrease)/increase in trade and other payables	(1,135)	1,446
Net cash provided by operating activities	10,948	11,383

14. KEY MANAGEMENT PERSONNEL

a) Key Management Personnel Compensation

The remuneration of the Company's key management personnel and their related entities for the year ended 30 June 2022 was \$85,000 (2021: \$85,000).

Other than the disclosure at Note 16 there were no shares granted during the reporting period as compensation to the Directors. Transactions with related parties have taken place at arm's-length and in the ordinary course of business.

b) Related Party Shareholdings

NAOS Asset Management Limited

The Company has outsourced its investment management function to NAOS Asset Management Limited. As at 30 June 2022, NAOS Asset Management Limited holds 1,257,600 shares (2021: 1,158,500 shares) and 386,166 bonus options (2021: 386,166 bonus options) in the Company. Other than the disclosure at Note 16 and above there was no interest in the Company held by other entities also managed by the key management personnel.

Holdings of Shares by Key Management Personnel

During the period, the relevant interests of the Directors and their related parties in the shares and bonus options of the Company were as follows:

Ordinary shares Year ended 30 June 2022	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
Mr Trevor Carroll (Chair)	194,449	11,869	–	206,318
Mr Warwick Evans (Director)	594,244	36,270	–	630,514
Mr David Rickards (Director)	338,763	14,721	–	353,484
Mr Sebastian Evans (Director)	1,158,500	99,100	–	1,257,600

Ordinary shares Year ended 30 June 2021	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
Mr Trevor Carroll (Chair)	182,024	12,425	–	194,449
Mr Warwick Evans (Director)	556,271	37,973	–	594,244
Mr David Rickards (Director)	317,115	21,648	–	338,763
Mr Sebastian Evans (Director)	1,158,500	–	–	1,158,500

Bonus options Year ended 30 June 2022	Opening balance No of bonus options	Acquired No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
Mr Trevor Carroll (Chair)	63,861	–	–	63,861
Mr Warwick Evans (Director)	195,161	–	–	195,161
Mr David Rickards (Director)	111,256	–	–	111,256
Mr Sebastian Evans (Director)	386,166	–	–	386,166

Bonus options Year ended 30 June 2021	Opening balance No of bonus options	Issued No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
Mr Trevor Carroll (Chair)	–	63,861	–	63,861
Mr Warwick Evans (Director)	–	195,161	–	195,161
Mr David Rickards (Director)	–	111,256	–	111,256
Mr Sebastian Evans (Director)	–	386,166	–	386,166

c) Other Transactions Within the Company

Apart from those details disclosed in this note, no other key management personnel have entered into a material contract with the Company during the financial period and there were no material contracts involving key management personnel's interests existing at year end.

15. SEGMENT INFORMATION

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income, and from the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS

Continued

16. RELATED PARTY INFORMATION

Transactions with related parties have taken place at arm's-length and in the ordinary course of business.

Management Fees

In return for the performance of its duties as Investment Manager of the Company is entitled to be paid a monthly management fee rate equal to 0.0958% (excluding GST) of the gross value of the portfolio calculated on the last business day of each month representing an annualised management fee rate of 1.15% (excluding GST) per annum of the average gross value of the portfolio. At its discretion and subject to shareholder approval, the Investment Manager may elect to be paid in shares.

The following management fees were paid or payable to the Investment Manager during the year ended 30 June 2022:

- Management fees of \$2,179,299 (2021: \$1,885,199) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2022 were \$160,662 (2021: \$204,854) (including RITC*).

*RITC – Reduced Input Tax Credit on GST of 75%.

Performance Fees

In the event that the investment portfolio outperforms the Benchmark Index (being the S&P/ASX Small Ordinaries Accumulation Index), the Investment Manager is entitled to an annual performance fee equal to 20% (excluding GST) of the amount the portfolio outperforms the Benchmark Index. No performance fee is payable if the portfolio underperforms the Benchmark Index. Any underperformance to the Benchmark Index is carried forward to future performance calculation periods and must be recouped before the Investment Manager is entitled to a performance fee. No performance fees were paid or payable to the Investment Manager for the year ended 30 June 2022 (2021: \$Nil).

In addition, the Company has a services agreement with the Investment Manager to provide the use of premises and facilities, company secretarial, administrative, financial and accounting services. For the year ended 30 June 2022 the fees paid to the Investment Manager were \$180,000 (2021: \$180,000).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments are inherent in the Company's activities. These risks are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to credit risk (including price risk and interest rate risk), liquidity risk, market risk and risks relating to fair value.

Financial instruments of the Company comprise investments in financial assets held for the purpose of generating a return on the investment made by shareholders. In addition, the Company also holds cash and cash equivalents, and other financial instruments such as trade receivables and payables, which arise directly from the operations of the Company. The responsibility for identifying and controlling the risks that arise from these instruments is that of the Investment Manager of the Company under policies approved by the Board.

The method used to measure the risks reflects the expected impact on the performance of the Company as well as the assets attributable to shareholders of the Company resulting from reasonably possible changes in the relevant risk variables. Information regarding the Company's risk exposure is prepared and monitored by the Investment Manager against established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Company as well as the level of risk the Company is willing to accept. Information about these risk exposures at reporting date is disclosed below.

a) Credit Risk

Credit risk represents the risk that the Company will incur financial loss as a result of a failure by a counterparty to discharge a contractual obligation to a financial instrument. The Investment Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

The maximum exposure to credit risk on financial assets, excluding investments of the Company which have been recognised in the Statement of Financial Position, is the carrying amount net of any provision for impairment of those assets.

The Investment Manager is responsible for ensuring that counterparties are of sufficient quality to minimise any individual counterparty credit risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled two days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk. The exposure to credit risk for cash and cash equivalents is considered to be low as all counterparties (National Australia Bank) have a rating of A or higher.

None of the financial assets exposed to a credit risk are overdue or considered to be impaired.

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17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and other price risks and liquidity. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

By its nature, as a listed investment company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk-free as the market price of these securities can fluctuate.

(i) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The unsecured notes that were issued on 4 December 2019 and 12 July 2021 pay a fixed rate of 4.95% per annum payable half-yearly on 31 May and 30 November each year until 2 December 2024.

The Company's exposure to interest rate risk is set out in the following table:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2022			
Assets			
Cash and cash equivalents	459	–	459
Receivables	–	749	749
Financial assets at fair value through profit or loss	–	152,113	152,113
Total Assets	459	152,862	153,321
Liabilities			
Payables	–	834	834
Total Liabilities	–	834	834
Net exposure	459	152,028	152,487

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2021			
Assets			
Cash and cash equivalents	456	–	456
Receivables	–	1,797	1,797
Financial assets at fair value through profit or loss	–	193,904	193,904
Total Assets	456	195,701	196,157
Liabilities			
Payables	–	1,969	1,969
Total Liabilities	–	1,969	1,969
Net exposure	456	193,732	194,188

The sensitivity analyses below have been determined based on the Company's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 250 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk (continued)

(i) Interest Rate Risk (continued)

	Change in basis points increase/(decrease)	Impact on operating profit/ net assets attributable to shareholders \$'000
30 June 2022		
AUD interest rate	250bps/(250bps)	11/(11)
30 June 2021		
AUD interest rate	250bps/(250bps)	11/(11)

(ii) Price Risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As at 30 June 2022 and 30 June 2021, a positive 10% sensitivity would have had an impact in the Company's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to shareholders as shown in the table below:

	Impact on operating profit/net assets attributable to shareholders	
	-10% \$'000	+10% \$'000
30 June 2022	(15,211)	15,211
30 June 2021	(19,390)	19,390

The Company's industry sector weighting of the investment portfolio as at the reporting date is as below:

Industry	% of Portfolio	
	30 June 2022	30 June 2021
Financials	38.91%	28.20%
Construction Materials	28.16%	21.98%
Industrials	12.57%	0.00%
Real Estate	8.22%	6.73%
Commercial & Professional Services	7.32%	17.18%
Information Technology	4.82%	23.61%
Media	0.00%	2.18%
Travel & Leisure	0.00%	0.11%
Healthcare	0.00%	0.01%
Total	100.00%	100.00%

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the Investment Manager.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received or other capital management initiatives that may be implemented by the Board from time to time. The Investment Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount, the Company can alter its cash outflows as appropriate. The assets of the Company are largely in the form of tradable securities which (if liquidity is available) can be sold on the market if necessary.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2022 and 30 June 2021 to the contractual maturity date.

	< 1 year \$'000	> 1 year to 2 years \$'000	2 to 5 years \$'000	Total \$'000	Carrying amount \$'000
30 June 2022					
Trade and other payables	834	–	–	834	834
Borrowings	–	–	32,171	32,171	31,720
Total	834	–	32,171	33,005	32,554
	< 1 year \$'000	> 1 year to 2 years \$'000	2 to 5 years \$'000	Total \$'000	Carrying amount \$'000
30 June 2021					
Trade and other payables	1,969	–	–	1,969	1,969
Borrowings	–	–	27,000	27,000	26,454
Total	1,969	–	27,000	28,969	28,423

The amounts in the table are the contractual undiscounted cash flows.

d) 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:

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arms-length basis.

Included within level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the quoted closing prices at the end of the reporting period.

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities and quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Fair Value Hierarchy (continued)

The following table shows an analysis of financial instruments, recorded at fair value and presented by level of the fair value hierarchy:

Financial Assets at Fair Value Through Profit or Loss

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Investment in listed equities	150,932	–	–	150,932
Investment in listed options	1,181	–	–	1,181
Total financial assets held at fair value through profit or loss	152,113	–	–	152,113

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Investment in listed equities	193,477	–	–	193,477
Investment in listed unit trusts	427	–	–	427
Total financial assets held at fair value through profit or loss	193,904	–	–	193,904

Financial Liabilities at Fair Value through Profit or Loss

There are no financial liabilities held at fair value through profit or loss as at 30 June 2022 and 30 June 2021.

e) Capital Management

The Company's objectives for managing capital are:

- to achieve consistent returns including regular payment of dividends while safeguarding capital by investing in a concentrated portfolio, and closely monitoring the performance of the underlying investments;
- to maintain sufficient liquidity to meet the ongoing expenses of the Company; and
- to maintain sufficient size to make the operation of the Company cost efficient.

The Board manages the Company's capital through share placements, share purchase plans, option issues, unsecured notes issues, the dividend reinvestment plan, share buybacks and the distribution of dividends to shareholders. These capital management initiatives will be used when deemed appropriate by the Board. The Company is not subject to externally imposed capital requirements.

18. EARNINGS PER SHARE

	Year ended 30 June 2022	Year ended 30 June 2021
	Cents	Cents
Basic and diluted (losses)/earnings per share	(13.33)	33.12
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	148,430,980	155,587,764
	\$'000	\$'000
Net profit used in the calculation of basic and diluted (losses)/earnings per share	(19,788)	51,527

19. COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies as at 30 June 2022 (30 June 2021: Nil).

20. SUBSEQUENT EVENTS

On 18 August 2022, the Company declared a fully franked quarterly dividend of 1.05 cents per share payable on 21 September 2022.

Other than the above, there has been no other matter or circumstances occurring subsequent to the end of the year 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 future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of NAOS Small Cap Opportunities Company Limited, we declare that:

In the opinion of the Directors:

- the financial statements and notes are in accordance with the *Corporations Act 2001* including compliance with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company for the financial year ended 30 June 2022;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1(c) to the financial statements;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Directors have received the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board



Sebastian Evans
Director

18 August 2022

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ADDITIONAL INFORMATION

The additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in the report.

INVESTMENT PORTFOLIO

As at 30 June 2022 the Company held the following investments:

Big River Industries Limited	Objective Corporation Limited
BSA Limited	Pacific Smiles Group Limited
BSA Limited Listed Options	PWR Holdings Limited
COG Financial Services Limited	Qualitas Limited
Eureka Group Holdings Limited	Schaffer Corporation Limited
Experience Co. Limited	Supply Network Limited
Gentrack Group Limited	Move Logistics Group Limited
Maxiparts Limited	

During the financial year ended 30 June 2022, the Company had 752 (2021: 964) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2022 were \$640,877 (2021: \$798,381).

20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders along with their respective holdings as at 31 July 2022.

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	10,848,402	7.56%
J P Morgan Nominees Australia Pty Limited	4,461,338	3.11%
Gold Tiger Investments Pty Ltd	2,175,000	1.52%
BNP Paribas Nominees Pty Ltd	1,621,828	1.13%
NAOS Asset Management Limited	1,257,600	0.88%
Beck Havas Pty Ltd	1,180,000	0.82%
HSBC Custody Nominees Australia Limited	1,116,405	0.78%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	1,045,794	0.73%
Somoke Pty Limited	1,015,053	0.71%
Angus Mac Pty Ltd	990,165	0.69%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	891,764	0.62%
Tendword Pty Ltd	750,000	0.52%
Mr Reginald George Kenneth Nealie & Mrs Teresa Nealie	750,000	0.52%
W W E Investments Pty Ltd	630,514	0.44%
Mrs Ida Rubin & Mr Ian Rubin & Mr Yuly Rubin	600,000	0.42%
R & B Invest Pty Ltd	575,770	0.40%
Carmant Pty Ltd	570,095	0.40%
Lonceta Pty Ltd	548,750	0.38%
Radell Pty Limited	548,498	0.38%
Mrs Tracy Fraser	500,000	0.35%
Total	32,076,976	22.36%

ADDITIONAL INFORMATION

Continued

SUBSTANTIAL SHAREHOLDERS

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	10,848,402	7.56%

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2022.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1–1,000	431	146,256	0.1%
1,001–5,000	721	2,215,090	1.54%
5,001–10,000	616	4,886,904	3.41%
10,001–100,000	1,956	65,257,214	45.47%
100,001 and over	235	71,010,642	49.48%
Total	3,959	143,516,106	100.00%

20 LARGEST OPTIONHOLDERS

Details of the 20 largest optionholders and their respective holdings as at 31 July 2022.

Optionholders	Options held	% of issued options
Bond Street Custodians Limited	2,000,000	3.93%
J P Morgan Nominees Australia Pty Limited	1,878,203	3.69%
Mr Ross Dennis Berndt & Mrs Judith Anne Berndt	1,158,965	2.28%
Munrose Investments Pty Ltd	940,063	1.85%
Dr Alan Donovan	800,000	1.57%
Gold Tiger Investments Pty Ltd	725,000	1.43%
Carter Haywood Pty Ltd	545,376	1.07%
Mr Timothy William Ingles	501,000	0.98%
Ms Patricia Ann Paterson	446,788	0.88%
Hub24 Custodial Services Ltd	433,198	0.85%
Mr Anthony Gerard Smith & Ms Therese Anne Smith	418,181	0.82%
NAOS Asset Management Limited	386,166	0.76%
HSBC Custody Nominees Australia Limited	360,083	0.71%
BNP Paribas Nominees Pty Ltd	332,418	0.65%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	323,703	0.64%
Somoke Pty Limited	314,188	0.62%
Angus Mac Pty Ltd	306,484	0.60%
Strickland Finance Co Pty Ltd	305,137	0.60%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	297,254	0.58%
Mr Charles Akrill Mitchell	291,026	0.57%
Total	12,763,233	25.08%

DISTRIBUTION OF OPTIONHOLDERS

Analysis of options by size of optionholders as at 31 July 2022.

Category	No of optionholders	Options held	% of issued options
1–1,000	660	304,220	0.6%
1,001–5,000	1,182	3,268,923	6.43%
5,001–10,000	660	4,905,057	9.64%
10,001–100,000	908	23,025,971	45.26%
100,001 and over	62	19,369,993	38.07%
Total	3,472	50,874,164	100.00%

VOTING RIGHTS

All shareholders registered on the Company's share register have the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per share) subject to the rights and restrictions on voting which may attach to or be imposed on shares (at present there are none).

ASX LISTING

Quotation has been granted for all Ordinary Shares and bonus options (ASX code: NSC and NSCOA respectively) of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

BUYBACK

For the financial year ended 30 June 2022 the Company has bought back a total of 9,597,672 shares for a consideration of \$8,389,182 (2021: The Company bought back a total of 5,718,964 ordinary shares for a consideration of \$3,914,408).

UNMARKETABLE PARCELS

As at 31 July 2022 the number of shareholdings held in less than marketable parcels was 306.

UNQUOTED SECURITIES

There are currently no unquoted securities on issue by the Company.

RESTRICTIONS ON SHARES

There are currently no restrictions attached to the shares of the Company.

CORPORATE INFORMATION

DIRECTORS

Trevor Carroll (Independent Chair)
Warwick Evans (Director)
David Rickards OAM (Independent Director)
Sebastian Evans (Director)

COMPANY SECRETARY

Rajiv Sharma
Sebastian Evans

REGISTERED OFFICE

Level 34
25 Martin Place
Sydney NSW 2000

INVESTMENT MANAGER

NAOS Asset Management Limited
Level 34
25 Martin Place
Sydney NSW 2000
(Australian Financial Services Licence Number: 273529)

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AUDITOR

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