

## NAOS Small Cap Opportunities Company Limited

ASX Code: NSC ACN: 107 617 381

### Appendix 4D | Results for Announcement to the Market

Results Announcement for the half year ended 31 December 2020

All comparisons are to the half year ended 31 December 2019

|  | \$'000                 | up/down                         | % change                     |
|--|------------------------|---------------------------------|------------------------------|
| Revenue from ordinary activities   | 25,036                 | down                            | -12%                         |
| Profit / (Loss) from ordinary activities before tax attributable to shareholders   | 22,811                 | down                            | -10%                         |
| Profit / (Loss) from ordinary activities after tax attributable to shareholders  | 16,638                 | down                            | -8%                          |
| <b>Dividend Information</b>  | <b>Cents per share</b> | <b>Franked amount per share</b> | <b>Tax rate for franking</b> |
| 2021 Second Quarterly Interim Dividend   | 1.25c                  | 1.25c                           | 30%                          |
| 2021 First Quarterly Interim Dividend  | 1.25c                  | 1.25c                           | 30%                          |
| 2020 Final Quarterly Dividend  | 1.00c                  | 1.00c                           | 30%                          |
| <b>Second Quarterly Interim Dividend Dates</b>   |                        |                                 |                              |
| Ex-dividend date   |                        | 26 February 2021                |                              |
| Record date  |                        | 1 March 2021                    |                              |
| Last date for DRP election   |                        | 2 March 2021                    |                              |
| Payment date   |                        | 18 March 2021                   |                              |
| <b>Dividend Reinvestment Plan</b>  |                        |                                 |                              |
| The Dividend Reinvestment Plan is in operation and the recommended fully franked quarterly interim dividend of 1.25 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.  |                        |                                 |                              |
|  | <b>31 Dec 2020</b>     | <b>31 Dec 2019</b>              |                              |
|  | \$                     | \$                              |                              |
| <b>(Post Tax) Net tangible asset backing per share</b>   | 0.82                   | 0.85                            |                              |
| This report is based on the half-year financial report which has been subject to independent review by the auditors, Deloitte Touche Tohmatsu Australia. All the documents comprise the information required by the Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2020 Annual Financial Report. |                        |                                 |                              |

**NAOS Small Cap Opportunities Company Limited**

**ACN 107 617 381**

Financial report for the half-year ended 31 December 2020

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## Directors' Report

The directors of NAOS Small Cap Opportunities Company Limited ACN 107 617 381 ("the Company") submit their half-year report for the Company for the half-year ended 31 December 2020.

### Company Information

The Company is a listed investment company ("LIC") and its shares are listed on the Australian Securities Exchange (ASX: NSC). The Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services License 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 Accumulation Index with the objective of providing investors with genuine exposure to small-cap companies, with a long-term value focus. No change in this activity took place during the period or is likely in the future.

### Directors

The following persons held office as Directors of the Company during the financial period and up to the date of this report.

| Name               | Title                |
|--------------------|----------------------|
| Mr Trevor Carroll  | Independent Chairman |
| Mr David Rickards  | Independent Director |
| Mr Warwick Evans   | Director             |
| Mr Sebastian Evans | Director             |

### Results and Review of Operations

The Company's operating profit before tax for the half-year was \$22,810,131 (31 December 2019: operating profit before tax of \$25,323,644), and operating profit after tax was \$16,637,502 (31 December 2019: operating profit after tax of \$18,098,943). The current period profit is primarily attributable to strong performance of the investment portfolio over the 6 months to 31 December 2020, with the investment portfolio producing a return of 18.08% in the 6 months to 31 December 2020, while the benchmark S&P / ASX Small Ordinaries Accumulation Index returned 20.28% over the same period over the same period as domestic equity markets continued to recover from COVID-19 related volatility.

The post-tax Net Tangible Asset ("NTA") per share of the Company has increased by 9.33%, from \$0.75 at 30 June 2020 to \$0.82 at 31 December 2020. During this period a fully franked final FY20 dividend of 1.0 cent per share, and a fully franked quarterly interim dividend of 1.25 cents per share was also paid.

Total shareholder return (TSR), which measures the change in share price and dividends paid during the period, increased by 62.26% for the 6 months to 31 December 2020. This increase is reflective of both the increase in the investment portfolio and a significant narrowing of the share price discount to NTA over the period. This measure does not include the benefit of franking credits received by shareholders.

During the half-year, the Company continued with the on-market buyback program to take advantage of the discount of the share price relative to NTA. During the half-year 3,294,274 shares were bought back for a total consideration of \$1,922,540. 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 in the interests of all shareholders.

## **Directors Report (continued)**

### ***Subsequent Events***

Since the end of half-year, the Directors have declared a quarterly interim fully franked dividend of 1.25 cent per share, to be paid on 18 March 2021.

There has been no other matter or circumstances occurring subsequent to the end of the half-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.

### ***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).

### ***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 3.

This directors' report is signed in accordance with a resolution of directors of the Company made pursuant to Section 306 (3) of the *Corporations Act 2001*.



Sebastian Evans  
Director  
18 February 2021

The Board of Directors  
NAOS Small Cap Opportunities Company Limited  
Level 34, MLC Centre  
19 Martin Place  
Sydney NSW 2000

18 February 2021

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 review of the condensed financial statements of Naos Small Cap Opportunities Company Limited for the half-year ended 31 December 2020, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

*David Salmon*

David Salmon  
Partner  
Chartered Accountants

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

### Conclusion

We have reviewed the half-year financial report of NAOS Small Cap Opportunities Company Limited (the "Company"), which comprises the condensed statement of financial position as at 31 December 2020, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 6 to 16.

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Basis for Conclusion

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

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

## Directors' Responsibilities for the Half-year Financial Report

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

## Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

*David Salmon*

David Salmon  
Partner  
Chartered Accountants  
Canberra, 18 February 2021



## Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2020

|   | Note | Half-year ended<br>31 December 2020<br>\$'000 | Half-year ended<br>31 December 2019<br>\$'000 |
|---|------|---|---|
| <b>Income</b>   | 3    | 25,036  | 28,467  |
| <b>Expenses</b>   |      |   |   |
| Management fees   |      | (835)   | (958)   |
| Interest expense  |      | (668)   | (1,200)                                       |
| Investment transaction cost   |      | (281)   | (381)   |
| Professional fees   |      | (31)  | (69)  |
| Other expenses  |      | (410)   | (535)   |
| <b>Profit before income tax expense</b>   |      | <b>22,811</b>                                 | <b>25,324</b>                                 |
| Income tax expense  |      | (6,173)                                       | (7,225)                                       |
| <b>Profit for the half-year attributable to shareholders of the Company</b>                     |      | <b>16,638</b>                                 | <b>18,099</b>                                 |
| Other comprehensive income  |      | -   | -   |
| <b>Total comprehensive income for the half-year attributable to shareholders of the Company</b> |      | <b>16,638</b>                                 | <b>18,099</b>                                 |
| <b>Basic and diluted earnings per share (cents per share)</b>                                   |      | <b>10.61</b>                                  | <b>11.06</b>                                  |

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

**Condensed Statement of Financial Position as at 31 December 2020**

|   | Note | As at<br>31 December 2020<br>\$'000 | As at<br>30 June 2020<br>\$'000 |
|---|------|-------------------------------------|---------------------------------|
| <b>Assets</b>   |      |                                     |                                 |
| <b>Current assets</b>                                 |      |                                     |                                 |
| Cash and cash equivalents                             |      | 140                                 | 227                             |
| Trade and other receivables                           |      | 68                                  | 409                             |
| Prepayments   |      | 26                                  | 65                              |
| Financial assets at fair value through profit or loss | 5    | 149,829                             | 133,981                         |
| <b>Total current assets</b>                           |      | <b>150,063</b>                      | <b>134,682</b>                  |
| <b>Non-current assets</b>                             |      |                                     |                                 |
| Deferred tax assets                                   |      | 6,577                               | 7,977                           |
| Trade and other receivables                           |      | 2,000                               | -                               |
| <b>Total non-current assets</b>                       |      | <b>8,577</b>                        | <b>7,977</b>                    |
| <b>Total assets</b>                                   |      | <b>158,640</b>                      | <b>142,659</b>                  |
| <b>Liabilities</b>                                    |      |                                     |                                 |
| <b>Current liabilities</b>                            |      |                                     |                                 |
| Trade and other payables                              |      | 462                                 | 523                             |
| <b>Total current liabilities</b>                      |      | <b>462</b>                          | <b>523</b>                      |
| <b>Non-current liabilities</b>                        |      |                                     |                                 |
| Borrowings  | 11   | 26,373                              | 26,294                          |
| Deferred tax liabilities                              |      | 4,773                               | -                               |
| <b>Total non-current liabilities</b>                  |      | <b>31,146</b>                       | <b>26,294</b>                   |
| <b>Total liabilities</b>                              |      | <b>31,608</b>                       | <b>26,817</b>                   |
| <b>Net assets</b>                                     |      | <b>127,032</b>                      | <b>115,842</b>                  |
| <b>Equity</b>   |      |                                     |                                 |
| Issued capital  | 6    | 192,985                             | 194,908                         |
| Profits reserve                                       | 7    | 36,656                              | 23,543                          |
| Accumulated losses                                    | 7    | (102,609)                           | (102,609)                       |
| <b>Total equity</b>                                   |      | <b>127,032</b>                      | <b>115,842</b>                  |

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

**Condensed Statement of Changes in Equity for the half-year ended 31 December 2020**

|  | <b>Note</b> | <b>Issued<br/>capital<br/>\$'000</b> | <b>Profits<br/>reserve<br/>\$'000</b> | <b>Accumulated<br/>losses<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|-------------|--------------------------------------|---------------------------------------|--|-------------------------|
| <b>Balance at 1 July 2019</b>                    |             | <b>200,293</b>                       | <b>7,620</b>                          | <b>(82,456)</b>                          | <b>125,457</b>          |
| Profit for the half-year                         |             | -                                    | -                                     | 18,099                                   | 18,099                  |
| Transfer to profits reserve                      |             | -                                    | 21,565                                | (21,565)                                 | -                       |
| Dividends paid                                   |             | -                                    | (2,453)                               | -  | (2,453)                 |
| Shares bought back from shareholders             |             | (3,806)                              | -                                     | -  | (3,806)                 |
| Shares allotted under dividend reinvestment plan |             | 325                                  | -                                     | -  | 325                     |
| Purchase of shares on-market for DRP             |             | (325)                                | -                                     | -  | (325)                   |
| <b>Balance at 31 December 2019</b>               | <b>6</b>    | <b>196,487</b>                       | <b>26,732</b>                         | <b>(85,922)</b>                          | <b>137,297</b>          |
| <b>Balance at 1 July 2020</b>                    |             | <b>194,908</b>                       | <b>23,543</b>                         | <b>(102,609)</b>                         | <b>115,842</b>          |
| Profit for the half-year                         |             | -                                    | -                                     | 16,638                                   | 16,638                  |
| Transfer to profits reserve                      |             | -                                    | 16,638                                | (16,638)                                 | -                       |
| Dividends paid                                   |             | -                                    | (3,525)                               | -  | (3,525)                 |
| Shares bought back from shareholders             |             | (1,923)                              | -                                     | -  | (1,923)                 |
| Shares allotted under dividend reinvestment plan |             | 483                                  | -                                     | -  | 483                     |
| Purchase of shares on-market for DRP             |             | (483)                                | -                                     | -  | (483)                   |
| <b>Balance at 31 December 2020</b>               | <b>6</b>    | <b>192,985</b>                       | <b>36,656</b>                         | <b>(102,609)</b>                         | <b>127,032</b>          |

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

**Condensed Statement of Cash Flows for the half-year ended 31 December 2020**

|  | Half-year ended<br>31 December 2020<br>\$'000 | Half-year ended<br>31 December 2019<br>\$'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>                  |   |   |
| Payments for purchase of investments                         | (34,444)                                      | (45,012)                                      |
| Proceeds from sale of investments                            | 39,234  | 55,645  |
| Dividends received   | 2,433   | 1,901   |
| Interest received  | 36  | 13  |
| Management fee paid  | (817)   | (938)   |
| Other payments   | (1,081)                                       | (1,610)                                       |
| <b>Net cash provided by operating activities</b>             | <b>5,361</b>                                  | <b>9,999</b>                                  |
| <b>Cash flows from financing activities</b>                  |   |   |
| Payments for buyback of shares                               | (1,923)                                       | (3,831)                                       |
| Dividend paid net of amounts reinvested                      | (3,042)                                       | (2,128)                                       |
| Purchases of shares on-market for DRP                        | (483)   | (325)   |
| Repayment of convertible notes                               | -   | (26,500)                                      |
| Net proceeds from issue of unsecured notes                   | -   | 26,203  |
| <b>Net cash used in financing activities</b>                 | <b>(5,448)</b>                                | <b>(6,581)</b>                                |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | <b>(87)</b>                                   | <b>3,418</b>                                  |
| Cash and cash equivalents at the beginning of the half-year  | 227   | 2,732   |
| <b>Cash and cash equivalents at the end of the half-year</b> | <b>140</b>                                    | <b>6,150</b>                                  |

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

## Notes to the Condensed Financial Statements

### 1. Summary of Significant Accounting Policies

These interim financial statements and notes for the half-year represent those of NAOS Small Cap Opportunities Company Limited. The condensed financial statements were authorised for issue by the Directors on 18 February 2021.

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

#### **a) Basis of Preparation**

This general purpose half-year 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, 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.

Other than the items detailed in the accounting policies below there are no differences in actual and estimated results.

#### **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 period presentation.

#### **c) Statement of Compliance**

The half-year report is a general purpose financial report in accordance with the *Corporations Act 2001* and AASB 134 "*Interim Financial reporting*". Compliance with AASB 134 ensures compliance with International Financial Reporting Standards ("IFRS") IAS 34 "*Interim Financial reporting*". The half-year report does not include notes of the type normally included in an annual report and should be read in conjunction with the annual report.

#### **d) Details of Reporting Half-year**

The current reporting period is the half year ended 31 December 2020. For the condensed Statement of Profit or Loss and Other Comprehensive Income, condensed Statement of Changes in Equity and the condensed Statement of Cash Flows, the previous corresponding period is the half-year ended 31 December 2019. For the condensed Statement of Financial Position, the previous corresponding date is 30 June 2020.

#### **e) Reporting Currency**

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

#### **f) Going Concern Basis**

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

## Notes to the Condensed Financial Statements

## 2. Adoption of New and Revised Accounting Standard

## 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 standards and interpretations not yet adopted

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

## 3. Income

|  | Half-year ended<br>31 December 2020<br>\$'000 | Half-year ended<br>31 December 2019<br>\$'000 |
|--|---|---|
| Gains on financial assets at fair value through profit or loss | 22,915  | 26,806  |
| Interest income  | 50  | 11  |
| Dividend income  | 2,071   | 1,650   |
| <b>Total income</b>  | <b>25,036</b>                                 | <b>28,467</b>                                 |

## 4. Dividends Paid or Payable

## Half-year ended 31 December 2020

|   | Dividend<br>(cents per<br>share) | Total<br>amount<br>\$'000 | % Franked | Date of payment   |
|---|----------------------------------|---------------------------|-----------|-------------------|
| 2020 Final 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  |

## Half-year ended 31 December 2019

|   | Dividend<br>(cents per<br>share) | Total<br>amount<br>\$'000 | % Franked | Date of payment   |
|---|----------------------------------|---------------------------|-----------|-------------------|
| 2019 Final dividend (declared on 22 August 2019)                    | 0.50                             | 826                       | 100%      | 16 September 2019 |
| 2020 First quarterly interim dividend (declared on 17 October 2019) | 1.00                             | 1,626                     | 100%      | 19 November 2019  |

Since the end of the period, the Directors have declared a quarterly interim fully franked dividend of 1.25 cents per share, payable on 18 March 2021.

## 5. Investments in Financial Instruments

## a) Financial Assets at Fair Value through Profit or Loss

|                               | As at<br>31 December 2020<br>\$'000 | As at<br>30 June 2020<br>\$'000 |
|-------------------------------|-------------------------------------|---------------------------------|
| Investment in listed equities | 149,829                             | 133,981                         |
| <b>Total</b>                  | <b>149,829</b>                      | <b>133,981</b>                  |

## Notes to the Condensed Financial Statements

### 5. Investments in Financial Instruments (continued)

#### b) Financial Liabilities at Fair Value through Profit or Loss

There were no financial liabilities at fair value through profit or loss as at 31 December 2020 (30 June 2020: \$nil)

#### c) Disclosed Fair Values

For all financial instruments their carrying value approximates fair value.

#### 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 arm's length basis.

##### 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, 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.

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 & Loss

|                               | 31 December 2020  |                   |                   |                 |
|-------------------------------|-------------------|-------------------|-------------------|-----------------|
|                               | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| <b>Financial assets</b>       |                   |                   |                   |                 |
| Investment in listed equities | 149,829           | -                 | -                 | 149,829         |
| <b>Total</b>                  | <b>149,829</b>    | <b>-</b>          | <b>-</b>          | <b>149,829</b>  |
|                               |                   |                   |                   |                 |
|                               | 30 June 2020      |                   |                   |                 |
|                               | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| <b>Financial assets</b>       |                   |                   |                   |                 |
| Investment in listed equities | 133,981           | -                 | -                 | 133,981         |
| <b>Total</b>                  | <b>133,981</b>    | <b>-</b>          | <b>-</b>          | <b>133,981</b>  |

## Notes to the Condensed Financial Statements

## 6. Issued Capital

|  | 31 December 2020 |         | 30 June 2020  |         |
|--|------------------|---------|---------------|---------|
|  | No. of shares    | \$'000  | No. of shares | \$'000  |
| Issued and paid up capital - Ordinary shares | 155,515,367      | 192,985 | 158,809,641   | 194,908 |

## Movement in Ordinary Share Capital

| Date             | Details   | No. of shares | \$'000  |
|------------------|---|---------------|---------|
| 01 July 2019     | Opening balance   | 166,936,029   | 200,293 |
|                  | Shares allotted under dividend reinvestment plan            | 1,214,783     | 742     |
|                  | Purchase of shares on market for dividend reinvestment plan | (1,214,783)   | (742)   |
|                  | Shares bought back  | (8,126,388)   | (5,385) |
|                  |   |               |         |
| 30 June 2020     | Closing balance   | 158,809,641   | 194,908 |
| 01 July 2020     | Opening balance   | 158,809,641   | 194,908 |
|                  | Shares allotted under dividend reinvestment plan            | 758,498       | 483     |
|                  | Purchase of shares on market for dividend reinvestment plan | (758,498)     | (483)   |
|                  | Shares bought back  | (3,294,274)   | (1,923) |
|                  |   |               |         |
| 31 December 2020 | Closing balance   | 155,515,367   | 192,985 |

## 7. Accumulated Losses and Reserves

## a) Accumulated Losses

|  | Half-year ended<br>31 December 2020<br>\$'000 | Year ended<br>30 June 2020<br>\$'000 |
|--|---|--------------------------------------|
| Balance at the beginning of the year                           | (102,609)                                     | (82,456)                             |
| Transfer to profit reserve                                     | (16,638)                                      | (21,565)                             |
| Profit for the year attributable to the members of the company | 16,638  | 1,412                                |
| Balance at the end of the reporting period                     | (102,609)                                     | (102,609)                            |

## b) Profits Reserve

|  | Half-year ended<br>31 December 2020<br>\$'000 | Year ended<br>30 June 2020<br>\$'000 |
|--|---|--------------------------------------|
| Opening balance                            | 23,543  | 7,620                                |
| Transfer from retained earnings            | 16,638  | 21,565                               |
| Dividends paid                             | (3,525)                                       | (5,642)                              |
| Balance at the end of the reporting period | 36,656  | 23,543                               |



## Notes to the Condensed Financial Statements

### 8. 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.

### 9. Commitments and Contingencies

There are no commitments or contingencies at 31 December 2020 (30 June 2020: \$ nil).

### 10. Key Management Personnel and Related Party Transactions

Remuneration arrangements of key management personnel are disclosed in the 2020 annual financial report:

|                                | Half-year ended<br>31 December 2020 | Half-year ended<br>31 December 2019 |
|--------------------------------|-------------------------------------|-------------------------------------|
|                                | \$                                  | \$                                  |
| <b>Directors' remuneration</b> | 42,500                              | 42,500                              |

### Management Fees

In return for the performance of its duties as investment manager of the Company, the Investment Manager is entitled to be paid a monthly management fee equal to 0.0958% (excluding GST) of the gross value of the portfolio calculated on the first business day of each month representing an annualised management fee 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 half-year ended 31 December 2020:

- Management fees of \$835,223 (for the half-year ended 31 December 2019: \$957,562) (including GST and RITC\*) were incurred during the half-year.
- Management fees payable at 31 December 2020 amounted to \$160,084 (30 June 2020: \$141,635) (including GST and RITC\*).

### 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 half-year ended 31 December 2020 (2019: \$nil).

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

## Notes to the Condensed Financial Statements

### 11. Borrowings

The Company has on issue \$27 million unsecured wholesale notes with a 5-year term, carrying an interest entitlement of 4.95% per annum. Interest is paid semi annually in arrears with the wholesale notes maturing on 2 December 2024. Terms of the wholesale notes are regulated under a trust deed between the Company and Equity Trustees Limited.

### 12. Subsequent Events

Since the end of half-year, the Directors have declared a quarterly interim fully franked dividend of 1.25 cent per share, payable on 18 March 2021.

There has been no other matter or circumstances occurring subsequent to the end of the half-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 subsequent financial periods.

## 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 condensed 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 half-year ended 31 December 2020; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'SE', with a stylized flourish extending from the end.

Sebastian Evans

Director

18 February 2021

## Corporate Information

### Directors

Trevor Carroll (Independent Chairman)  
David Rickards (Independent Director)  
Sebastian Evans (Director)  
Warwick Evans (Director)

### Company Secretary

Laura Newell  
Sebastian Evans

### Registered Office

Level 34, MLC Centre  
19 Martin Place  
Sydney NSW 2000

### Investment Manager

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

### Contact Details

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E: [enquiries@naos.com.au](mailto:enquiries@naos.com.au)  
W: [www.naos.com.au](http://www.naos.com.au)

### Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 200  
Telephone: 1300 737 760

### Auditor

Deloitte Touche Tohmatsu  
Level 1, Grosvenor Place  
225 George Street  
Sydney NSW 2000