

NAOS EMERGING
OPPORTUNITIES
COMPANY LIMITED

(ASX: NCC)
ABN 58 161 106 510



Level 34
25 Martin Place
Sydney NSW 2000
T (02) 9002 1576
F (02) 8215 0037
E enquiries@naos.com.au
www.naos.com.au

NAOS Emerging Opportunities Company Limited

ASX Code: NCC ACN: 161 106 510

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

	\$	up/down	% change
Revenue from ordinary activities	(15,188,338)	down	-151%
Loss from ordinary activities before tax attributable to shareholders	(18,275,341)	down	-166%
Loss from ordinary activities after tax attributable to shareholders	(12,796,392)	down	-162%
Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2022 Final dividend	3.75c	1.875c	25%
2022 Interim dividend	3.75c	3.75c	25%
Final Dividend Dates			
Ex-dividend date			5 October 2022
Record date			6 October 2022
Last date for DRP election			7 October 2022
Payment date			28 October 2022
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended partially franked final dividend of 3.75 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	0.93	1.18	
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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ASX: NCC
NAOS EMERGING OPPORTUNITIES
COMPANY LIMITED

ANNUAL REPORT 2022

ACN 161 106 510

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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 Emerging Opportunities Company Limited advises that its Annual General Meeting (AGM) will be held at 10.00 am (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 DIVIDEND DATES

Ex-Dividend Date:

Wednesday 5 October 2022

Record Date:

Thursday 6 October 2022

Last Date for DRP Election:

Friday 7 October 2022

Payment Date:

Friday 28 October 2022

NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

NAOS Emerging Opportunities Company Limited (ASX: NCC) 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).

7.50c

FY22 Dividend

9.04%

FY22 Dividend Yield

+4.38%

FY22 Investment Portfolio
Outperformance to Benchmark

+5.68% p.a.

Investment Portfolio Outperformance to
Benchmark Since Inception

KEY METRICS AS AT 30 JUNE 2022

Pre-tax Net Tangible Assets per Share \$0.90	Post-tax Net Tangible Assets per Share \$0.93
FY22 Full-Year Dividend (cents per share) 7.50 cents	FY22 Dividend Yield 9.04%
Share Price \$0.83	Shares on Issue 72,952,814
Convertible Note Price (ASX: NCCGA) \$90.00	Convertible Notes on Issue 230,000
Directors' Shareholding (number of shares) 5,332,207	Profits Reserve (cents per share) 45.3 cents

INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2022

	NCC Investment Portfolio Performance*	S&P/ASX Small Ordinaries Accumulation Index	Performance Relative to Benchmark
1 Month	-9.74%	-13.09%	+3.35%
1 Year	-15.14%	-19.52%	+4.38%
3 Years (p.a.)	+7.78%	+0.38%	+7.40%
5 Years (p.a.)	+3.25%	+5.07%	-1.82%
7 Years (p.a.)	+7.38%	+6.64%	+0.74%
Inception (p.a.)	+9.97%	+4.29%	+5.68%
Inception (Total Return)	+142.99%	+48.02%	+94.97%

*Investment Portfolio Performance is post all operating expenses, before fees, interest, taxes, initial IPO commissions and all subsequent capital raising costs. Performance has not been grossed up for franking credits received by shareholders. Since inception (p.a. and Total Return) includes part performance for the month of February 2013. Returns compounded for periods greater than 12 months.

BOARD OF DIRECTORS



DAVID RICKARDS OAM

Independent Chair

David Rickards OAM has been a Director and Chair of the Company since its inception. David is also a Director of NAOS Small Cap Opportunities Company Limited (ASX: NSC) and Chair of 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).



SEBASTIAN EVANS

Director

Sebastian Evans has been a Director of the Company since its inception. Sebastian is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) 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.



WARWICK EVANS

Director

Warwick Evans has been a Director of the Company since its inception. Warwick is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) 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.



SARAH WILLIAMS

Independent Director

Sarah Williams was appointed an Independent Director during January 2019. Sarah is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management in the financial services and IT industries. Most recently, Sarah was an executive director at Macquarie Group and head of IT for the group's asset management, investment banking and leasing businesses. During her 18-year tenure at Macquarie Group, she also led the Risk and Regulatory Change team and the Equities IT team and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and PricewaterhouseCoopers in London.

Sarah has been a director of charitable organisations, including Cure Cancer Australia Foundation and Make A Mark Australia. Sarah holds an honours degree in engineering physics from Loughborough University and has also studied at the Harvard Business School.



CHAIR'S LETTER

DAVID RICKARDS OAM
Independent Chair

Dear fellow shareholders,

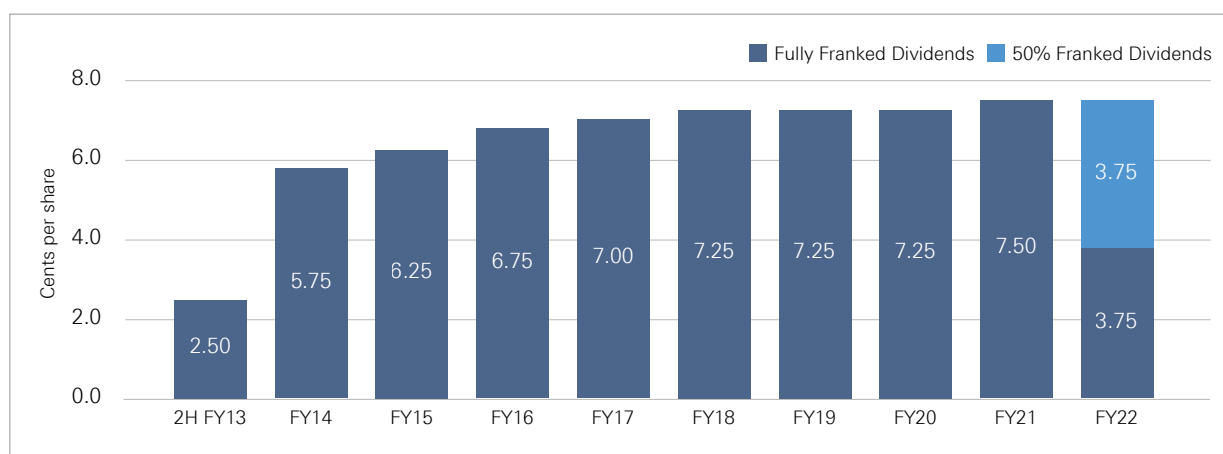
On behalf of the Board, welcome to the Annual Report for the NAOS Emerging Opportunities Company Limited for the financial year ended 30 June 2022. I would like to thank all shareholders for your continued support and welcome all new shareholders who joined the register during the year.

For the financial year (FY) ending 30 June 2022, the Company recorded an after-tax loss of \$12.80 million (FY21: after-tax profit of \$20.66 million). I am pleased to announce the Board has declared a final dividend of 3.75 cents per share, partially franked at 50%. Together with the fully franked interim dividend of 3.75 cents per share, this brings the full-year dividend to 7.50 cents per share, with a total franking level of 75%. Based on the 30 June 2022 closing share price of \$0.83, this represents a 9.04% net dividend yield. The Company has now declared a total of 65 cents per share since its inception in 2013.

The Board continues to be mindful of providing shareholders with a sustainable, growing stream of dividends, franked to the maximum extent possible while also maintaining sufficient profit reserves to enable the Company to pay dividends during periods such as this financial year, where it has been more difficult to generate significant performance. The profit reserve balance at year-end was \$33.01 million, or 45.3 cents per share.

FY22 was a difficult year for investors, as macroeconomic concerns heavily impacted asset prices. At an operating level, many Australian businesses have had to grapple with rampant inflation and supply chain bottlenecks, coinciding with the termination of fiscal support. The additional factor of monetary policy tightening commencing in the second half of FY22, at the fastest pace in 22 years, resulted in a broad sell-off in domestic and global equity markets, with many entering bear markets by the end of June. This sell-off commenced in the third quarter, largely within businesses that were COVID-19 beneficiaries, and across a large cohort of the market trading on extreme valuations.

NCC Dividend History



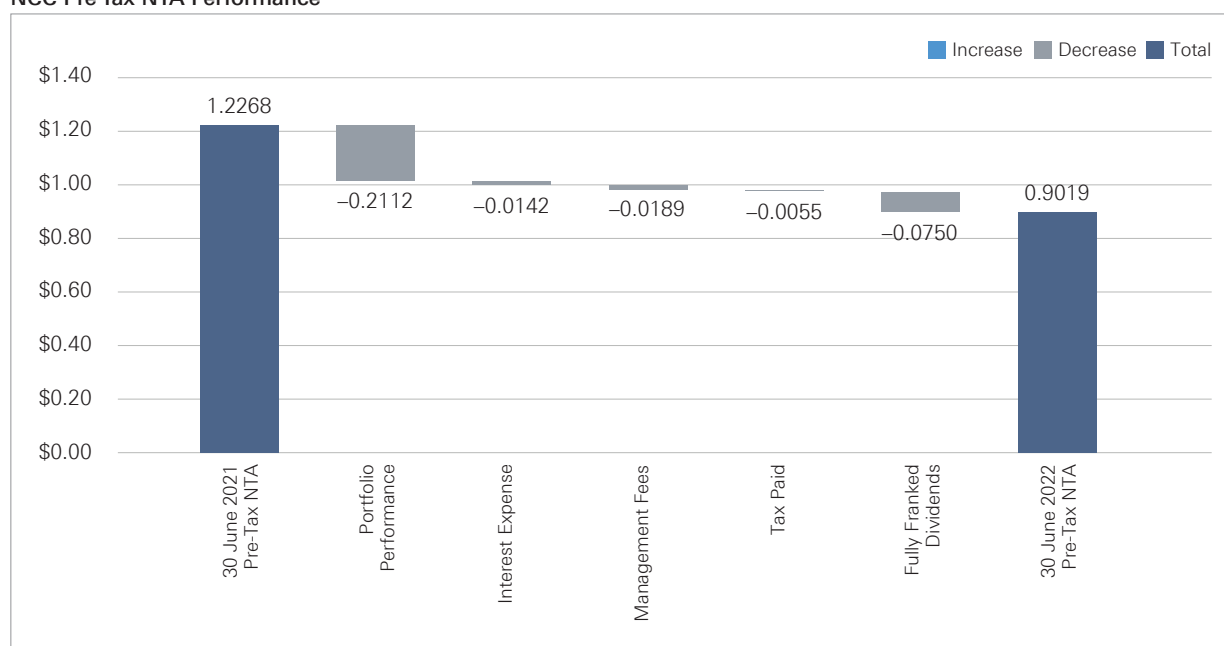
The final quarter of FY22 saw this selling become more indiscriminate, with the emerging end of the Australian equity market sold off at a greater rate than large-cap stocks. As a result, the S&P/ASX Small Ordinaries index (XSO) declined –21.56% in FY22, compared to a decline of –8.88% for the S&P/ASX 100 index (XTO). Despite these current macro headwinds, the Company remains focused on its investment philosophy, namely providing long-term, concentrated exposure to emerging companies, the earnings of which are less impacted by the aforementioned factors. Against this backdrop, the NCC investment portfolio delivered a negative return of –15.14% for FY22, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which returned –19.52%.

The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$1.23 to \$0.90 over the financial year, with the investment portfolio performance decreasing NTA per share by 21.12 cents over the year. 7.50 cents per share was paid to shareholders in fully franked dividends, and management fees and interest expense on the convertible notes decreased the NTA by 1.89 cents per share and 1.42 cents per share respectively. Corporate tax of 0.55 cents per share was also paid during the year. The franking credits attached to these corporate tax payments are available to be distributed to shareholders through franked dividends.

Total Shareholder Return (TSR), which measures the change in the share price together with dividends paid over the financial year, was –13.96%. This measure does not include the benefit of franking credits received by shareholders through franked dividends. The share price commenced the year trading at a –15.85% discount to pre-tax NTA, and closed the year at \$0.83, representing a discount to pre-tax NTA of –10.75%.

“The Company has declared a final FY22 dividend of 3.75 cents per share, bringing total dividends declared since inception in 2013 to a total of 65 cents per share.”

NCC Pre-Tax NTA Performance

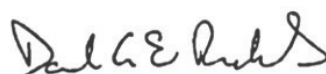


While the share price discount to NTA has closed over the course of the financial year, the Board remains committed to further closing the discount to NTA through a range of initiatives, including the following:

- **Dividends** – The Company will continue to focus on delivering a sustainable, growing stream of dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- **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.
- **Shareholder communications** – 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 equity markets may remain vulnerable as we move through FY23, the Board believes the NAOS investment philosophy will continue to generate strong performance for shareholders over the longer term. The Board has a strong alignment with shareholders through their shareholdings, which continued to increase over the course of the year and now total a cumulative 5.33 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 over the course of the financial year.



David Rickards OAM
Independent Chair

18 August 2022



INVESTMENT MANAGER'S REVIEW

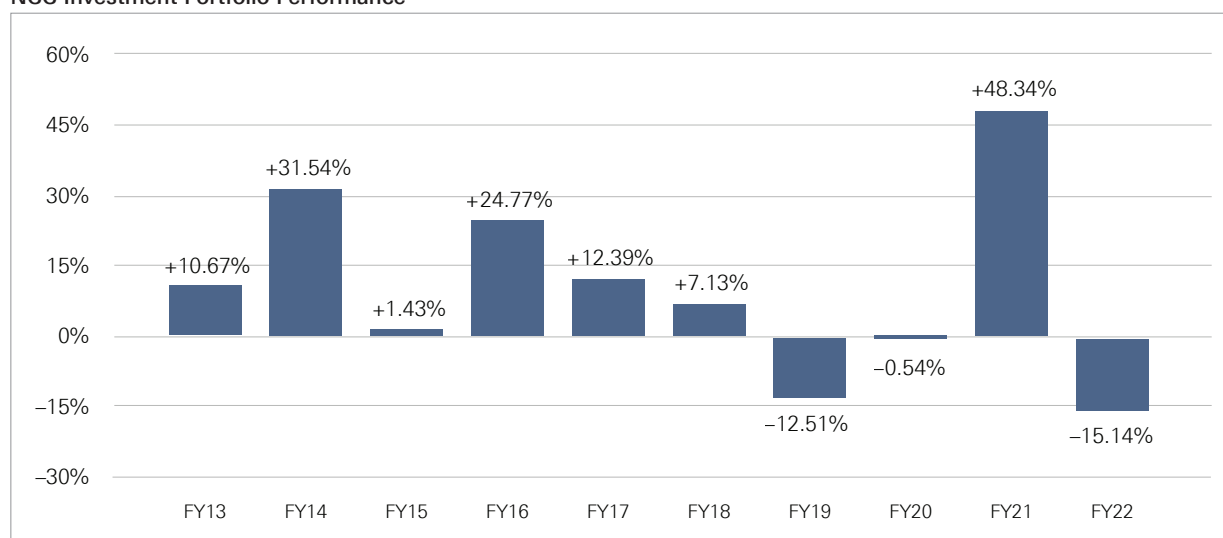
SEBASTIAN EVANS

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

Dear fellow shareholders,

After reporting its strongest ever financial year (FY) return in FY21, the NCC investment portfolio could not continue the momentum in FY22 and finished with a negative –15.14% return, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which fell by –19.52% in an extremely difficult year for equities. This brings investment portfolio performance since inception to +9.97% p.a., significantly outperforming the XSOAI return of +4.29% p.a. over the past nine years and five months.

NCC Investment Portfolio Performance



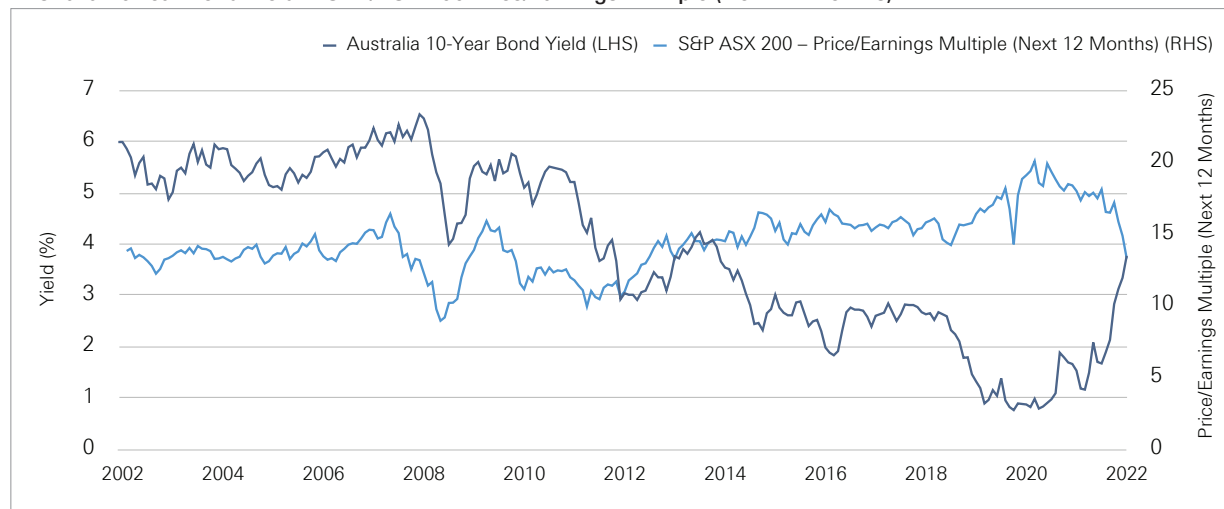
INFLATION, INTEREST RATES AND POST-COVID HEADACHES

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 NCC 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 assuming 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.

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 that 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:

- Saunders International (ASX: SND) – significant demand associated with ageing infrastructure including regional bridges, liquid storage facilities and potentially hydrogen facilities in future;
- 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

- BTC health (ASX: BTC) – has a significant exposure to elective surgery numbers, which in turn is driven by an ageing population and greater access to new and more effective medical devices.

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

Macro events have clearly played a significant role in the valuations of many of our core investments through FY22. However, there were two clear stock-specific events that cost the investment portfolio dearly and would have occurred regardless of the macroeconomic backdrop. These two businesses were BSA Limited (ASX: BSA) and Wingara AG (ASX: WNR). In both instances, we took decisive action by requesting a director nominee to join the respective boards, 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 a new management team brought into WNR that has since successfully executed on the sale of Austco Polar Cold Storage, WNR's loss-making division. BSA has also started to show signs of stability post the removal of the Chairman and CEO, who oversaw not only a significant decrease in shareholder capital but, we would also 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.

On a more positive note, it was pleasing to see that two of our core investments, SND and COG, which NCC has held for many years, continued to go from strength to strength, despite an extremely challenging market backdrop for emerging companies.

CONTRIBUTORS

Saunders International (ASX: SND)

FY22 may well go down as the inflection year when SND transitioned to a much larger and more profitable business. At the start of the year SND released their FY21 results, which showed significant improvement in profit margins, with EBIT margins increasing to ~8%. Then in late CY21, SND announced it had entered a \$165 million contract for the design and construction of a storage facility in the Northern Territory. This contract is significantly larger than any other contract won in SND's history and, importantly, the end client will be the US Department of Defense, which highlights the significant progress SND management has made in gaining the credentials required to compete for such jobs.

Clearly there is execution risk with such a large contract, but we believe that SND has matured significantly as a business over the years, and increased the robustness of its systems and the quality of its people, which should minimise any execution risk around contracts such as this. We also believe that the future for SND outside this contract is also very bright, given a significant backlog of work available – the NSW Government's Fixing Country Bridges Program being a key example – and industry tailwinds that in theory should last for many years.

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.

Wingara AG (ASX: WNR)

WNR was also a significant detractor to performance, but we believe that a significant amount of groundwork has been completed to not only protect the capital that remains in WNR, but also to deliver growth over the long term. Members of the new management team at WNR were dealt a very tough hand when they joined, due to mistakes made by previous management. This was only made tougher by the COVID-19 pandemic, as both the hay-processing and cold-storage businesses require high efficiency levels and resource availability to maintain an adequate level of profitability.

Towards the end of FY22, management's hard work started to show signs of paying off. The loss-making Austco Polar Cold Storage division, which also had a long-term lease liability, has been sold, thus allowing WNR to again be purely a hay-processing business. We will be looking for this momentum to continue as we move into FY23.

BTC health (ASX: BTC)

BTC health is a business that we believed for a long time had the most potential within the NCC investment portfolio. Unfortunately, FY22 was a year to forget for BTC, as its current operations as well as its two-pronged growth strategy were severely hampered by COVID-19. As a distributor of medical devices, BTC relies on adequate levels of elective surgery to be completed, which for the first half of FY22 was clearly not the case. This situation has since normalised and, as we move into a post-COVID operating environment, there is now a large backlog of patients waiting for surgeries.

BTC has focused its growth strategy on sourcing new in-licensing opportunities from global medical device manufacturers, as well as searching for local M&A opportunities. New in-licensing deals have become much harder to secure in the face of travel restrictions and hence BTC was unable to secure any deals of note in FY22. On the M&A front, we believe BTC has had a number of interesting opportunities but for one reason or another has not been able to close on any of these in FY22. Unfortunately, shareholders in BTC have been made to wait a number of years before any tangible progress is made with regards to scaling the business. The share price movement in FY22 clearly shows that some of these shareholders have decided it is an easier exercise to take their loss and move on to other opportunities.

NEW CORE INVESTMENTS AND EXITS

Future First Technologies (ASX: FFT)

FFT, via its wholly owned subsidiary Asset Vision, is a technology business with a core focus on providing enterprise clients with the technology to manage their road assets actively and efficiently. What originally attracted us to FFT was its tier-1 client list. This included government clients such as VicRoads, which it not only secured as a client, but also renewed post the expiry of existing contracts. This is an impressive feat for a business with a market capitalisation of less than \$20 million. Another event that garnered our interest was the appointment of Adrian Rudman as CEO. Adrian was one of the first employees at ASX-listed Objective Corporation (ASX: OCL) and held a number of executive roles at that business for over 20 years. We believe OCL is one of the highest quality businesses listed on the ASX, so FFT being able to secure someone of Adrian's calibre again highlights the potential that others see in the business.

FFT is still in the early stages of its growth trajectory, but we believe the outlook holds significant potential. In FY23, we will be looking for FFT to significantly grow its number of customers as well as the average contract

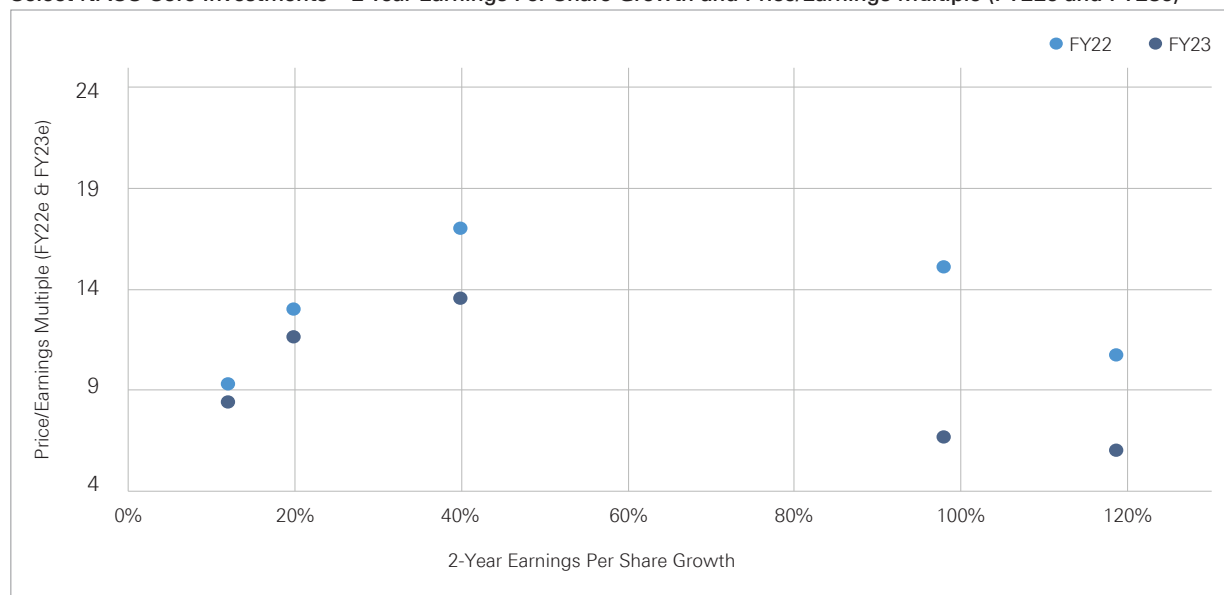
value. We also expect FFT to transition more clients onto a subscription model, away from the pure project revenue model that has dominated their business to date. Finally, blue-sky potential remains, with the opportunity for large customer wins with other state government departments or whole-of-business offerings with large tier-1 contracts.

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 firmly 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, and allow, 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 Listed Investment Companies (LICs), our expectations of the current P/E multiple (light-blue dot) and the P/E multiple in 12 months' time – factoring in what we believe is a reasonable expectation of EPS growth (dark-blue dot). As the dark-blue dots are lower than the light-blue 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

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 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 who we are investing your capital with today.

The information we derive from these meetings give 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 NCC investment portfolio.

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

- FY23 should hold several significant events for SND, all of which could significantly re-rate or de-rate the SND share price. The main catalyst will be any update regarding the financial performance of the business, which is tied to the successful execution of the \$165 million contract in the Northern Territory. As mentioned previously, this is the largest contract ever awarded to SND, so there will be an element of concern around SND's ability to deliver this contract on time and on budget. Secondly, we would expect SND to sign at least two significant new contracts, with one or more relating to increasing Australia's strategic diesel reserves onshore. Finally, we do not believe it to be out of the realm of possibility for SND to execute on a new business opportunity, either via M&A or organically, which will assist in scaling the business further.
- 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.

"...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 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

INVESTING WITH NAOS ASSET MANAGEMENT

NAOS Asset Management is a specialist fund manager providing concentrated exposure to quality private and public emerging companies.

With a proven performance track record, NAOS 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 relative benchmark index.

NAOS launched its first Listed Investment Company (LIC) in 2013 with 400 shareholders. Today, NAOS manages approximately \$300 million across three LIC vehicles and one private investment fund, for more than 7,500 shareholders.

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.

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

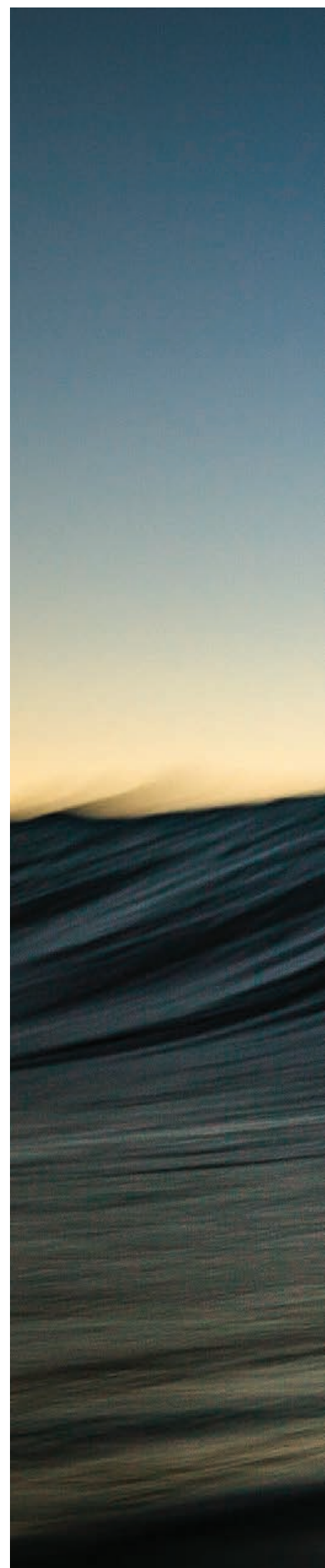


We believe in backing people who are proven and aligned with their shareholders. One of the most fundamental factors consistent across the majority of company success stories in our investment universe is a high-quality, proven management team with 'skin in the game'. NAOS Directors and employees are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



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



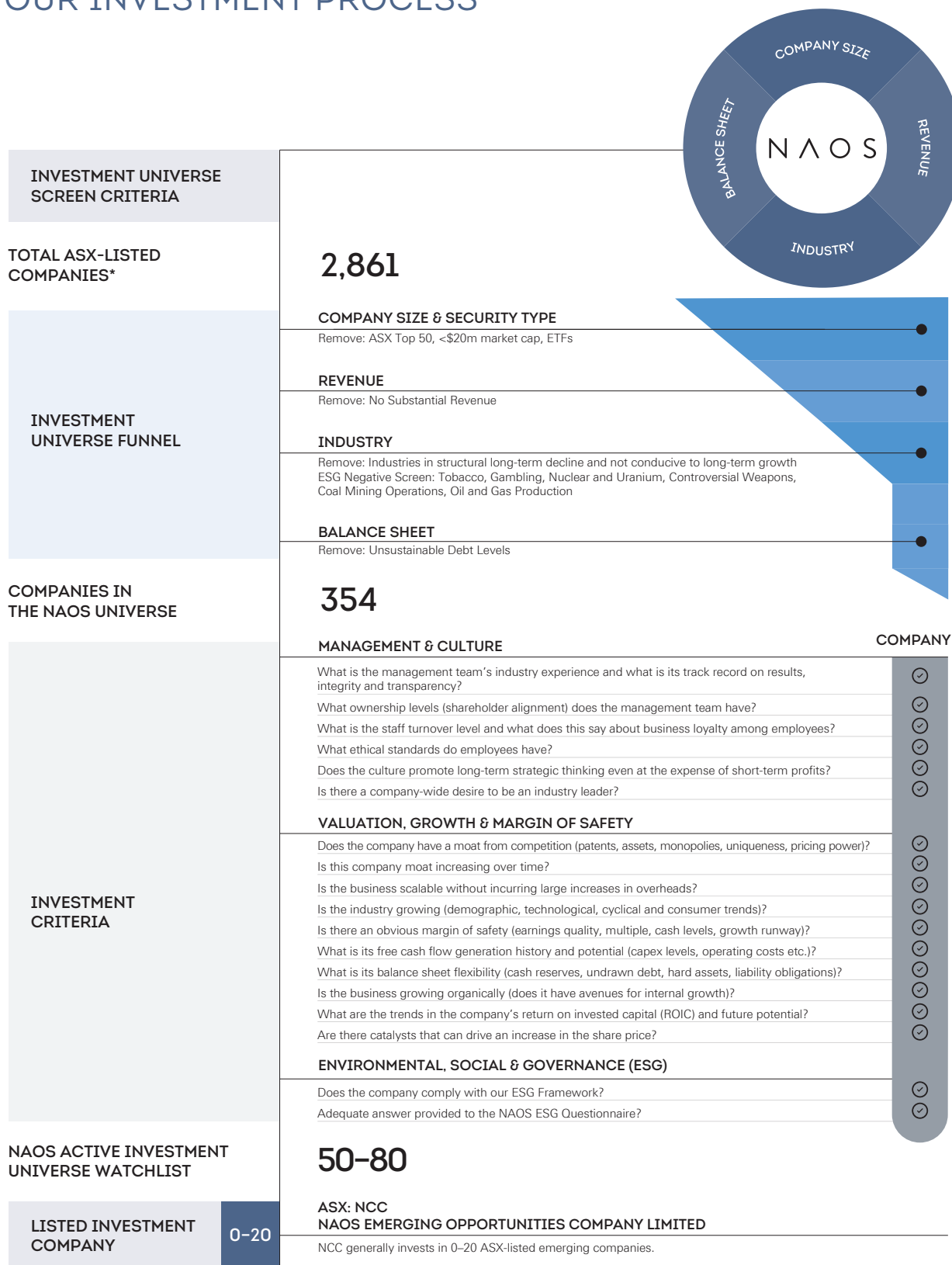
At NAOS, we are not activist investors. Due to our investment approach, it is common for NAOS to establish a substantial shareholding in a company with a long-term (five years+) investment horizon.

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



* Source: Bloomberg Data June 2022

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	●

NCC 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.

BTC HEALTH LIMITED ASX: BTC



BTC health is a company focused on the distribution of world-class medical products and making them available to patients in Australia and New Zealand. Through its underlying companies, BTC invests in the acquisition, development and commercialisation of innovative medical products in the Australian and New Zealand hospital healthcare market. The company is currently building a group of high-growth businesses, which together deliver superior patient health outcomes.

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.

CONTANGO ASSET MANAGEMENT LIMITED ASX: CGA



Contango Asset Management Limited is an ASX-listed fund manager with a marketing and distribution platform, which partners with and promotes high-quality fund managers to the self-directed and Independent Financial Adviser (IFA) channels of the \$3.5 trillion superannuation industry.

SAUNDERS INTERNATIONAL LIMITED ASX: SND



Saunders International Limited was established in 1951 and provides construction, maintenance and remediation services to the Energy, Resources and Infrastructure sectors. Clients include Sydney Water, the Australian Government, Lendlease, and Ampol.

WINGARA AG LIMITED ASX: WNR



Wingara AG Limited is a wholly integrated and controlled supply chain solution for the provision of quality agricultural produce. Wingara's value-added services include the storing, processing, marketing and exporting of locally grown fodder products into both domestic and international end markets, especially Asia.

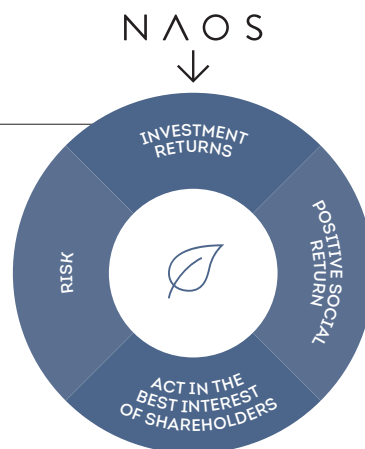
OUR ESG PROCESS

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.

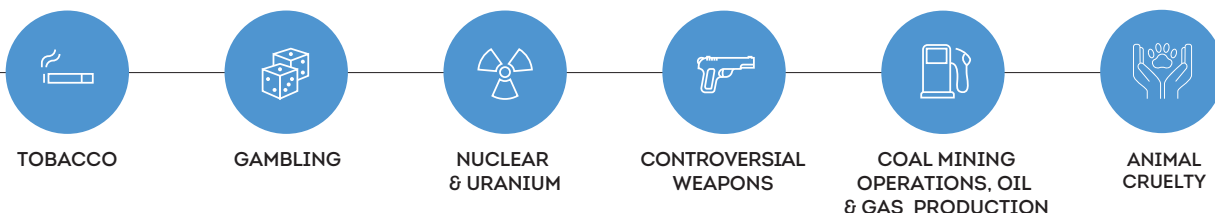
We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

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.

COMPANIES MAKING A DIFFERENCE



SAUNDERS INTERNATIONAL LIMITED (ASX: SND)

Saunders International completed the NAOS ESG questionnaire during FY 2022.

5 YEARS

NAOS first invested

\$107.7M

Saunders’ market capitalisation as at 30 June 2022



Saunders International was established in 1951 and provides construction, maintenance and remediation services to the Energy, Resources and Infrastructure sectors.

HOW IS SND MAKING A DIFFERENCE?

Saunders International provided the following examples:

ENVIRONMENTAL:



- Saunders is currently considering the use of green fuel (biofuels) as a renewable energy source across some of its projects for major equipment and plant operations.
- The company is investigating opportunities to diversify into new energy markets, including hydrogen, waste to energy, and wind.
- A waste management process is undertaken for each construction activity.
- Environmental performance of all projects is reported monthly to senior management and the Saunders Board.

SOCIAL:



- Saunders introduced its Employee Share Option Plan, a remuneration scheme that incentivises employees to remain with the Group for a period of time.
- Saunders diversity across its business has increased from both a gender and ethnicity perspective. Saunders continues to increase participation of First Nations Australians across its business.
- Saunders has participated in various community and charitable events over the past three years and continues to look at further ways to contribute.
- The company regularly reviews and invests in improvements in safety through its processes and systems, enabling a record-low Total Recordable Injury Frequency Rate (TRFIR) rate of 1.25 in 2021.

GOVERNANCE:



- The Group has a business Code of Conduct Policy and a One Team Culture model that underpins ethics and integrity codes. There are several internal policies that cover these areas.
- The company has an overarching Risk Policy, which cascades down to functional and operational policies e.g. Safety, Quality, Finance and Commercial.
- Key management personnel are remunerated based on several factors, including experience, qualifications, job level, and individual and company performance.

AREAS FOR IMPROVEMENT:



- Quantify environmental metrics such as greenhouse gas (GHG) emissions and energy consumption. Monitoring usage will help to identify areas for improvement.
- Investigate the use of alternative fuel sources for future projects.
- Formalise a company-wide waste management policy, incorporating current procedures from various projects.
- Publicly report on environmental initiatives.
- Improve female representation on the Board.
- Formalise a training policy across the company to ensure staff are aware of training courses available and/or required.
- Approval of various policies, including Diversity, Modern Slavery, and Anti-bribery and Corruption policies.

“Saunders looks to inspire its employees, clients and businesses to deal more conscientiously with each other, the environment and the society we live in.”

(Excerpt from Saunders International's FY21 Annual Report)



BIG RIVER INDUSTRIES LIMITED
(ASX: BRI)

Big River completed the NAOS ESG questionnaire during FY 2022.

5 YEARS

NAOS first invested

\$174.3M

Big River market capitalisation as at 30 June 2022



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.

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.

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.

"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)

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.

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.

The image displays two overlapping screenshots of the NAOS website. The top screenshot shows the homepage for NAOS Emerging Opportunities Company Limited, featuring a dark landscape image and text about ASX:NCC. The bottom screenshot shows the NAOS Asset Management page, featuring a blue sky image. Both pages have a navigation bar with links like HOME, ABOUT, LISTED INVESTMENT COMPANIES, PRIVATE OPPORTUNITIES, E.S.G., NEWS & INSIGHTS, and CONTACT.

[illegible]

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

CORPORATE GOVERNANCE STATEMENT

The Board of NAOS Emerging Opportunities Company Limited is committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of its activities.

The Board has adopted the ASX Corporate Governance Principles and Recommendations, which are complemented by the Company's core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in the Corporate Governance section of the Company's website naos.com.au/corporate-governance.

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DIRECTORS' REPORT

The Directors present their report together with the financial report of NAOS Emerging Opportunities Company Limited (the "Company") for the 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. The Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence No. 273 529) (the Investment Manager).

PRINCIPAL ACTIVITIES

The Company invests primarily in a concentrated portfolio of Australian listed equities that are not included in the S&P/ASX 100 Index with the objective of providing investors with genuine exposure to emerging 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
David Rickards OAM (Independent Chair)	20 November 2012	20 November 2012 – present
Warwick Evans	6 November 2012	6 November 2012 – present
Sebastian Evans	6 December 2012	6 December 2012 – present
Sarah Williams	31 January 2019	31 January 2019 – 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

David Rickards OAM – Independent Chair

David Rickards has been a Director and Chair of the Company since its inception. David is also a Director of NAOS Small Cap Opportunities Company Limited (ASX: NSC) and Chair of NAOS Ex-50 Opportunities Company Limited (ASX: NAC). He is also Co-Founder of Social Enterprise Finance Australia Limited (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 Master 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).

Warwick Evans – Non-independent Director

Warwick Evans has been a Director of the Company since its inception. Warwick is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) 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 as well as being an Executive Director for Macquarie Group. He was the founding Chairman and CEO of the Newcastle Stock Exchange (NSX), and was also Chairman of the Australian Stockbrokers Association. Prior to these positions he 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)

Sebastian Evans – Non-independent Director

Sebastian Evans has been a Director of the Company since its inception. Sebastian is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) 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.

Sarah Williams – Independent Director

Sarah Williams was appointed an Independent Director during January 2019. Sarah is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management within the financial services and IT industries. Most recently, Sarah was an Executive Director at Macquarie Group holding the role of Head of IT for the Asset Management, Investment Banking and Leasing businesses. During her 18-year tenure at Macquarie Group, she also led the Risk and Regulatory Change team, the Equities IT team and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and Pricewaterhouse Coopers in London.

Sarah has been a director of charitable organisations, including Cure Cancer Australia Foundation and Make A Mark Australia. Sarah holds an honours degree in engineering physics from Loughborough University and has also studied at the Harvard Business School.

COMPANY SECRETARY

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

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

COMPANY SECRETARY INFORMATION

Rajiv Sharma

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 Board meetings for the year ended 30 June 2022.

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

DIRECTORS' REPORT

Continued

REVIEW OF OPERATIONS

The Company's operating loss before tax for the year ended 30 June 2022 was \$18,275,341 (30 June 2021: operating profit before tax of \$27,786,353), and operating loss after tax for the year was \$12,796,392 (30 June 2021: operating profit after tax of \$20,664,305). The loss for the year is primarily attributable to the performance of the investment portfolio, which in a challenging year for equities returned –15.14% for the financial year, outperforming the Benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which returned –19.52% for the financial year.

The post-tax Net Tangible Asset ('NTA') value per share of the Company has decreased from \$1.18 to \$0.93 over the year, which was mainly driven by the negative performance of the investment portfolio, and also reflects the 7.50 cents per share of fully franked dividends paid to shareholders during the year.

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 \$68,024,722 (2021: \$86,292,582). 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	% Franked	Date of payment
2021 final dividend (declared 19 August 2021)	3.75	2,735,733	100%	25 October 2021
2022 interim dividend (declared 17 February 2022)	3.75	2,735,734	100%	21 April 2022
		5,471,467		

Year ended 30 June 2021	Dividend (cents per share)	Total \$ amount	% Franked	Date of payment
2020 final dividend (declared 20 August 2020)	3.50	2,162,465	100%	21 October 2020
2021 interim dividend (declared 18 February 2021)	3.75	2,630,808	100%	23 April 2021
		4,793,273		

On 18 August 2022, the Company declared a final dividend of 3.75 cents per share, 50% franked, to be paid on 28 October 2022.

SIGNIFICANT CHANGES IN THE 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 final dividend of 3.75 cents per share, 50% franked, to be paid on 28 October 2022.

Other than the matters described above, there has been no 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.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's auditor, performed other services in addition to their statutory duties for the Company as disclosed in Note 12 to the financial statements.

The Board is satisfied that the provision of other services during the year is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 12 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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 42.

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.

Directors' base fees are set at a maximum of \$100,000 per annum and Directors do not receive bonuses. The maximum fees paid to Directors may not be increased without approval from the Company at a general meeting.

DIRECTORS' REPORT

Continued

REMUNERATION REPORT – AUDITED (CONTINUED)

Remuneration of Directors (continued)

Directors' 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 David Rickards (Chair)	31,818	3,182	35,000
Mr Warwick Evans (Director)	9,091	909	10,000
Ms Sarah Williams (Director)	13,636	1,364	15,000
Mr Sebastian Evans (Director)	–	–	–
	54,545	5,455	60,000

	Short-term employee benefits Directors' fees	Post- employment benefit superannuation	Total
30 June 2021	\$	\$	\$
Mr David Rickards (Chair)	31,963	3,037	35,000
Mr Warwick Evans (Director)	9,132	868	10,000
Ms Sarah Williams (Director)	13,699	1,301	15,000
Mr Sebastian Evans (Director)	–	–	–
	54,794	5,206	60,000

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

Interests in Shares and Options of the Company

During the financial 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:

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 David Rickards (Chair)	1,030,583	34,103	–	1,064,686
Mr Warwick Evans (Director)	2,703,536	–	–	2,703,536
Mr Sebastian Evans (Director)	1,307,690	239,650	–	1,547,340
Ms Sarah Williams (Director)	15,514	1,131	–	16,645

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 David Rickards (Chair)	789,804	240,779	–	1,030,583
Mr Warwick Evans (Director)	2,230,690	472,846	–	2,703,536
Mr Sebastian Evans (Director)	1,254,496	2,938,198	(2,885,004)	1,307,690
Ms Sarah Williams (Director)	15,000	514	–	15,514

REMUNERATION REPORT – AUDITED (CONTINUED)

Interests in Shares and Options of the Company (continued)

The 1-for-4 bonus options that were issued by the Company in June 2019 expired on 29 June 2021.

Bonus Options Year Ended 30 June 2021	Opening balance No of bonus options	Acquired No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
Mr David Rickards (Chair)	184,641	–	(184,641)	–
Mr Warwick Evans (Director)	443,673	–	(443,673)	–
Mr Sebastian Evans (Director)	941,036	1,932,148	(2,873,184)	–
Ms Sarah Williams (Director)	–	–	–	–

Consequences of Company's Performance and Shareholder Wealth

The following table summarises Company performance and Directors' Remuneration. Directors' fees are not linked to the Company's performance.

	2022	2021	2020	2019	2018
Operating profit/(loss) after tax (\$)	(12,796,392)	20,664,304	(597,948)	(7,507,390)	4,124,365
Dividends (cents per share)	7.50	7.50	7.25	7.25	7.00
NTA after tax (\$ per share)	0.93	1.18	0.96	1.04	1.23
Total Directors' remuneration (\$)	60,000	60,000	60,000	51,250	45,000
Number of Directors	4	4	4	4	3
Shareholders' equity (\$)	68,024,722	86,292,581	59,018,880	62,130,841	73,679,945

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

AUDITOR'S INDEPENDENCE DECLARATION



Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

Level 2, Brindabella Business Park
8 Brindabella Circuit
Canberra ACT 2609 Australia

Tel: +61 (0) 2 6263 7000
Fax: +61 (0) 2 6263 7001
www.deloitte.com.au

The Board of Directors
NAOS Emerging Opportunities Company Limited
Level 34, 25 Martin Place
Sydney NSW 2000

18 August 2022

Dear Directors,

NAOS Emerging 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 Emerging Opportunities Company Limited.

As lead audit partner for the audit of the financial statements of NAOS Emerging 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

INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

Level 2, Brindabella Business Park
8 Brindabella Circuit
Canberra ACT 2609 Australia

Tel: +61 (0) 2 6263 7000
Fax: +61 (0) 2 6263 7001
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NAOS Emerging 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 totaled circa \$88.5 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 • Reproducing 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 adequacy of the disclosures in Notes 7 and 17 to the financial statements.</p>

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 41 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of NAOS Emerging 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

A handwritten signature in cursive script, reading "David Salmon".

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 \$	Year ended 30 June 2021 \$
Income	3	(15,188,338)	29,653,030
Expenses			
Management fees	16	(1,379,241)	(977,705)
Interest expense on convertible notes	9	(1,035,000)	(218,342)
Administration fees		(72,835)	(65,818)
Directors' remuneration		(60,000)	(60,000)
ASX fees		(64,675)	(65,469)
Auditor's remuneration	12	(49,980)	(52,400)
Custody fees		(49,601)	(47,407)
Registry fees		(58,885)	(78,522)
Amortisation costs		(87,421)	(18,442)
Other expenses from ordinary activities		(229,365)	(282,572)
(Loss)/profit before income tax expense		(18,275,341)	27,786,353
Income tax benefit/(expense)	4(a)	5,478,949	(7,122,048)
(Loss)/profit for the year attributable to shareholders of the Company		(12,796,392)	20,664,305
Other comprehensive income, net of tax		–	–
Total comprehensive (loss)/income for the year attributable to shareholders of the Company		(12,796,392)	20,664,305
Basic and diluted (losses)/earnings per share (cents per share)	18	(17.54)	31.73

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 \$	As at 30 June 2021 \$
Assets			
Current Assets			
Cash and cash equivalents	13	261,536	1,280,423
Trade and other receivables	6	890,931	555,082
Financial assets at fair value through profit or loss	7	88,546,599	111,050,270
Total current assets		89,699,066	112,885,775
Non-current Assets			
Deferred tax assets	4(b)	1,823,370	914,793
Total non-current assets		1,823,370	914,793
Total assets		91,522,436	113,800,568
Liabilities			
Current liabilities			
Trade and other payables	8	1,044,755	572,075
Total current liabilities		1,044,755	572,075
Non-current liabilities			
Deferred tax liabilities	4(c)	–	4,570,373
Borrowings	9	22,452,959	22,365,538
Total non-current liabilities		22,452,959	26,935,911
Total liabilities		23,497,714	27,507,986
Net assets		68,024,722	86,292,582
Equity			
Issued capital	10	77,465,260	77,465,260
Profits reserve	11(a)	33,012,681	34,991,287
Accumulated losses	11(b)	(42,453,219)	(26,163,965)
Total equity		68,024,722	86,292,582

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 \$	Profits reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	66,062,592	19,120,253	(26,163,965)	59,018,880
Profit for the year	–	–	20,664,306	20,664,306
Transfer to profits reserve	–	20,664,306	(20,664,306)	–
Dividends paid	–	(4,793,273)	–	(4,793,273)
Share options exercised	11,016,542	–	–	11,016,542
Shares issued under DRP	386,126	–	–	386,126
Purchase of shares on market for DRP	(192,817)	–	–	(192,817)
DRP shares allotted	192,817	–	–	192,817
Balance at 30 June 2021	77,465,260	34,991,286	(26,163,965)	86,292,581
Balance at 1 July 2021	77,465,260	34,991,286	(26,163,965)	86,292,581
Loss for the year	–	–	(12,796,392)	(12,796,392)
Transfer to profits reserve	–	3,492,862	(3,492,862)	–
Dividends paid	–	(5,471,467)	–	(5,471,467)
Purchase of shares on market for DRP	(592,772)	–	–	(592,772)
DRP shares allotted	592,772	–	–	592,772
Balance at 30 June 2022	77,465,260	33,012,681	(42,453,219)	68,024,722

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Cash flows from operating activities			
Payments for financial assets at fair value through profit or loss		(41,434,471)	(70,986,902)
Proceeds from disposal of financial assets at fair value through profit or loss		44,501,170	42,805,700
Dividends received		4,269,638	2,202,696
Interest received		62	29,074
Income tax paid		(403,673)	(502,773)
Income tax refund		452,004	–
Interest paid on convertible notes		(953,059)	–
Management fees paid		(1,405,089)	(914,076)
Directors' remuneration paid		(60,000)	(60,000)
Administration and tax service fee paid		(85,429)	(75,874)
Custody fees paid		(46,816)	(38,549)
Audit fees paid		(53,483)	(50,985)
Registry fees paid		(57,215)	(75,248)
ASX fees paid		(64,675)	(65,469)
Other payments		(203,546)	(274,636)
Net cash provided by/(used in) operating activities	13(b)	4,455,418	(28,007,042)
Cash flows from financing activities			
Dividends paid net of amounts reinvested		(4,881,533)	(4,230,150)
Purchase of shares on market for DRP		(592,772)	(192,817)
Share options exercised		–	11,016,542
Net proceeds from issue of convertible notes		–	22,347,096
Net cash (used in)/provided by financing activities		(5,474,305)	28,940,671
Net (decrease)/increase in cash and cash equivalents		(1,018,887)	933,629
Cash and cash equivalents at the beginning of the financial year		1,280,423	346,794
Cash and cash equivalents at end of year	13(a)	261,536	1,280,423

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

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

NAOS Emerging Opportunities Company Limited (the “Company”) is a public company listed on the Australian Securities Exchange (ASX: NCC) registered and domiciled in Australia. The Company was constituted on 6 November 2012 and commenced operations on 22 February 2013.

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 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 through profit or loss.

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. Refer to Note 1(r) 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 or dividend income.

Dividends

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

Interest Income

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and bank overdrafts.

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 period 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.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible notes which are able to be converted to share capital at the option of the noteholder, and the number of shares to be issued will not vary with the changes in their fair value. The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments in Financial Instruments (continued)

Impairment of Financial Assets (continued)

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 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 the 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.

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/(income) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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 period, adjusted for bonus elements in ordinary shares issued during the period.

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 period.

r) 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.

Income Tax

The Company has recognised deferred tax assets relating to current period tax losses and unrealised losses on investments of \$1,659,529 as at 30 June 2022. The utilisation of deferred tax assets depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is supported by the Investment Manager's long-term performance and profitability. New information may become available that may cause the Company to change its judgement regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New or Amended Accounting Standards 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 accounting standards or interpretations applicable that would have a material impact for the Company.

NOTES TO THE FINANCIAL STATEMENTS

Continued

3. INCOME

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Net (losses)/gains on financial instruments held at fair value through profit or loss	(19,457,288)	27,543,024
Interest income	62	29,074
Dividend income	4,268,888	2,060,932
Other income	–	20,000
	(15,188,338)	29,653,030

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 \$	Year ended 30 June 2021 \$
Prima facie income tax (benefit)/expense calculated at 25%	(4,568,835)	7,224,452
Less the tax effect of:		
Imputation credit gross up	453,921	245,386
Franking credit offset	(1,815,684)	(943,792)
Non-deductible amounts	417,961	595,958
Impact of change in tax rate	33,688	–
Prior year under provision	–	44
	(5,478,949)	7,122,048
Effective tax rate	30%	26%

The Company assessed that it is a base rate entity for the year ended 30 June 2022 and hence the reduced company tax rate of 25% is applied to all income tax related balances.

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Prior year under provision	–	44
Change in deferred tax liabilities	(4,570,373)	4,570,373
Change in deferred tax assets	(908,576)	2,551,631
	(5,478,949)	7,122,048

4. INCOME TAX (CONTINUED)

b) Deferred tax assets

	As at 30 June 2022 \$	As at 30 June 2021 \$
Unrealised losses on investments	1,276,119	–
Tax losses	383,410	857,331
Accruals	17,312	18,570
Capitalised share issue and placement costs	146,529	38,892
At reporting date	1,823,370	914,793

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Movement in deferred tax assets		
Balance at the beginning of the period	914,793	3,466,424
Credited/(charged) to the Statement of Profit or Loss and Comprehensive Income	1,274,861	(3,419,972)
Tax losses	(473,921)	857,331
Capitalised share issue and placement costs	107,637	11,010
At reporting date	1,823,370	914,793

c) Deferred tax liabilities

	As at 30 June 2022 \$	As at 30 June 2021 \$
Temporary differences in relation to:		
Unrealised gains on investments	–	4,570,373

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Movement in deferred tax liabilities		
Balance at the beginning of the year	4,570,373	–
Charged/(credited) to the Statement of Profit or Loss and Other Comprehensive Income	(4,570,373)	4,570,373
At reporting date	–	4,570,373

NOTES TO THE FINANCIAL STATEMENTS

Continued

5. DIVIDEND PAID AND PAYABLE

Year ended 30 June 2022	Dividend (cents per share)	Total \$ amount	% Franked	Date of payment
2021 final dividend (declared 19 August 2021)	3.75	2,735,733	100%	25 October 2021
2022 interim dividend (declared 17 February 2022)	3.75	2,735,734	100%	21 April 2022
		5,471,467		

Year ended 30 June 2021	Dividend (cents per share)	Total \$ amount	% Franked	Date of payment
2020 final dividend (declared 20 August 2020)	3.50	2,162,465	100%	21 October 2020
2021 interim dividend (declared 18 February 2021)	3.75	2,630,808	100%	23 April 2021
		4,793,273		

Dividends payable as at 30 June 2022 were \$99,848 (2021: \$102,686).

Dividend Franking Information

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Franking credits available for shareholders from previous financial periods	119,094	356,654
Impact on the franking account of dividends paid during the period	(1,823,826)	(1,684,123)
Impact on the franking account of dividends received during the period	1,815,684	943,790
Impact on franking account of income tax paid during the year	403,673	502,773
Impact on franking account of income tax refunded during the year	(452,054)	–
Franking account balance at reporting date	62,571	119,094

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 \$	As at 30 June 2021 \$
GST receivable	38,058	60,211
Unsettled trade receivables	398,360	–
Prepayments	50,840	42,077
Dividends receivable	–	750
Income tax receivable	403,673	452,044
	890,931	555,082

Receivables are non-interest bearing and unsecured. Outstanding trades i.e. 'Unsettled trades receivable' are on the terms operating in the securities 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 \$	As at 30 June 2021 \$
Investment in listed equities	85,677,831	111,050,270
Investment in listed options	342,408	–
Investment in unlisted equities	2,500,000	–
Investment in unlisted options	26,360	–
	88,546,599	111,050,270

Financial liabilities at Fair Value through Profit or Loss

There were no financial liabilities at fair value through profit or loss as at 30 June 2022 (2021: \$nil).

Disclosed fair values

For all financial instruments other than those measured at fair value, their carrying value approximates fair value.

8. TRADE AND OTHER PAYABLES

	As at 30 June 2022 \$	As at 30 June 2021 \$
Auditor's remuneration payable	27,355	30,838
Management fees payable	101,489	127,337
Unsettled trades payable	459,030	40,353
Dividend payable	99,848	102,686
Interest payable on convertible notes	300,284	218,342
Other payables	56,749	52,519
Total	1,044,755	572,075

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 230,000 listed convertible notes (ASX: NCCGA). The notes have a total face value of \$23 million, carrying a 7-year term and interest entitlement of 4.50% p.a. Interest is paid half-yearly on 31 March and 30 September. The maturity date of the convertible notes is 30 September 2028. Terms of the notes are regulated under a trust deed between the Company and Melbourne Securities Corporation Limited. As of 30 June 2022, a total of \$300,284 in interest is payable.

	As at 30 June 2022 \$	As at 30 June 2021 \$
Opening balance of convertible notes	22,365,538	–
Add face value of convertible notes	–	23,000,000
Less issue costs	–	(652,904)
Add amortisation of costs for the period	87,421	18,442
At Reporting Date	22,452,959	22,365,538

NOTES TO THE FINANCIAL STATEMENTS

Continued

10. ISSUED CAPITAL

	30 June 2022		30 June 2021	
	No. of Shares	\$	No. of Shares	\$
Issued and paid-up capital – Ordinary shares	72,952,814	77,465,260	72,952,814	77,465,260

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 shareholders by special resolution); and
- (e) subject to the *Corporations Act 2001* and the ASX Listing Rules, shares are fully transferable.

Movements in ordinary share capital

	No. of shares	\$
Opening balance 1 July 2020	61,784,395	66,062,592
Shares issued under DRP	367,935	386,126
DRP shares allotted	198,106	192,817
Purchase of shares on market for DRP	(198,106)	(192,817)
Shares issued due to options exercise	10,800,484	11,016,542
Closing balance 30 June 2021	72,952,814	77,465,260
Opening balance 1 July 2021	72,952,814	77,465,260
DRP shares allotted	565,513	592,772
Purchase of shares on market for DRP	(565,513)	(592,772)
Closing Balance 30 June 2022	72,952,814	77,465,260

11. PROFITS RESERVE AND ACCUMULATED LOSSES

a) Profits Reserve

	30 June 2022 \$	30 June 2021 \$
Balance at the beginning of the year	34,991,286	19,120,253
Transfer to profits reserve	3,492,862	20,664,306
Dividends paid	(5,471,467)	(4,793,273)
Balance at reporting date	33,012,681	34,991,286

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

	30 June 2022 \$	30 June 2021 \$
Balance at the beginning of the year	(26,163,965)	(26,163,965)
Transfer to profits reserve	(3,492,862)	(20,664,306)
(Loss)/profit for the year attributable to members of the Company	(12,796,392)	20,664,306
Balance at reporting date	(42,453,219)	(26,163,965)

12. AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor, its related parties and non-audit-related services:

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
Audit and other assurance services – Deloitte Touche Tohmatsu		
Audit and review of financial reports	49,980	46,900
Agreed-upon procedures on issue of convertible notes	–	5,500
Total remuneration for audit and other assurance services	49,980	52,400
Taxation services		
Tax compliance services	4,500	4,500
Total remuneration for non-audit services	4,500	4,500
Total remuneration	54,480	56,900

NOTES TO THE FINANCIAL STATEMENTS

Continued

13. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	As at 30 June 2022 \$	As at 30 June 2021 \$
Cash at bank	261,536	1,280,423

b) Reconciliation of Net Profit for the Year to Net Cash Provided by Operating Activities

	Year ended 30 June 2022 \$	Year ended 30 June 2021 \$
(Loss)/profit for the year attributable to shareholders after tax	(12,796,392)	20,664,305
Adjustments for:		
Change in value of financial assets held at fair value through profit or loss	22,503,671	(55,635,368)
Income tax expense/(benefit) recognised in the Statement of Profit or Loss and Other Comprehensive Income	(5,478,949)	7,122,048
Income tax paid	(403,673)	(502,773)
Income tax received	452,044	–
Amortisation expense on convertible notes	87,421	18,442
Change in assets and liabilities:		
Decrease/(increase) in trade and other receivables	(335,849)	146,704
Increase/(decrease) in trade and other payables	427,145	179,600
Net cash provided by/(used by) operating activities	4,455,418	(28,007,042)

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 \$60,000 (2021: \$60,000).

There were no shares or bonus options granted during the reporting period as compensation to the Directors (2021: Nil). Transactions with related parties have taken place at arms-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 1,007,350 shares (1.38%) (2021: 855,000 shares (1.17%)) in the Company.

Other than the disclosure at Note 16 there were no transactions entered into by the Company with other entities also managed by the key management personnel.

14. KEY MANAGEMENT PERSONNEL (CONTINUED)

b) Related Party Shareholdings (continued)

Holdings of Shares by Key Management Personnel

During the year, the relevant interests of the Directors and their related parties in the shares 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 David Rickards (Chair)	1,030,583	34,103	–	1,064,686
Mr Warwick Evans (Director)	2,703,536	–	–	2,703,536
Mr Sebastian Evans (Director)	1,307,690	239,650	–	1,547,340
Ms Sarah Williams (Director)	15,514	1,131	–	16,645

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 David Rickards (Chair)	789,804	240,779	–	1,030,583
Mr Warwick Evans (Director)	2,230,690	472,846	–	2,703,536
Mr Sebastian Evans (Director)	1,254,496	2,938,198	(2,885,004)	1,307,690
Ms Sarah Williams (Director)	15,000	514	–	15,514

The 1-for-4 bonus options that were issued by the Company in June 2019 expired on 29 June 2021.

Bonus Options Year Ended 30 June 2021	Opening balance No of bonus options	Acquired No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
Mr David Rickards (Chair)	184,641	–	(184,641)	–
Mr Warwick Evans (Director)	443,673	–	(443,673)	–
Mr Sebastian Evans (Director)	941,036	1,932,148	(2,873,184)	–
Ms Sarah Williams (Director)	–	–	–	–

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 arms-length and in the ordinary course of business.

Management Fees

In return for the performance of its duties, the Investment Manager of the Company is entitled to be paid a monthly management fee equal to 0.104% (excluding GST) of the gross value of the portfolio calculated on the last business day of each month representing an annualised management fee of 1.25% (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 \$1,379,241 (2021: \$977,705) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2022 were \$101,489 (2021: \$127,337) (excluding RITC*).

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

Performance Fees

In the event that the portfolio outperforms the Benchmark Index (being the S&P/ASX Small Ordinaries Accumulation Index), the Company must pay the Investment Manager a performance fee equal to 15% (excluding GST) per annum 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. At its discretion and subject to shareholder approval, the Investment Manager may elect to receive the performance fee in shares. No performance fees were paid or payable to the Investment Manager during the year ended 30 June 2022 (2021: \$nil).

In addition, for the year ended 30 June 2022 the Investment Manager was paid total fees of \$89,000 for the provision of company secretarial, administrative, financial and accounting services under the terms of a services agreement (2021: \$89,000).

17. FINANCIAL RISK MANAGEMENT

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, liquidity risk and market risk.

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 trade 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.

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 assets exposed to a credit risk are overdue or considered to be impaired.

17. FINANCIAL RISK MANAGEMENT (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, redeemable convertible notes that were issued on 15 April 2021 pay a fixed rate of 4.50% per annum, payable half-yearly on 31 March and 30 September each year until 30 September 2026.

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

	Floating interest rate \$	Non-interest bearing \$	Total \$
30 June 2022			
Assets			
Cash and cash equivalents	261,536	–	261,536
Trade and other receivables	–	890,931	890,931
Financial assets at fair value through profit or loss	–	88,546,599	88,546,599
Total Assets	261,536	89,437,530	89,699,066
Liabilities			
Trade and other payables	–	1,044,755	1,044,755
Total Liabilities	–	1,044,755	1,044,755
Net Exposure	261,536	88,392,775	88,654,311
30 June 2021			
Assets			
Cash and cash equivalents	1,280,423	–	1,280,423
Trade and other receivables	–	555,082	555,082
Financial assets at fair value through profit or loss	–	111,050,270	111,050,270
Total Assets	1,280,423	111,605,352	112,885,775
Liabilities			
Trade and other payables	–	572,076	572,076
Total Liabilities	–	572,076	572,076
Net Exposure	1,280,423	111,033,276	112,313,699

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 (CONTINUED)

b) Market Risk (continued)

	Change in basis points increase/(decrease)	Impact on operating profit/ net assets attributable to shareholders (\$)
30 June 2022		
AUD interest rate	250bps/(250bps)	6,538/(6,538)
30 June 2021		
AUD interest rate	250bps/(250bps)	32,011/(32,011)

(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 currency risk or 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. Possible losses from equities sold short can be unlimited.

As at 30 June 2022 and 30 June 2021 a 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% \$	+10% \$
30 June 2022	(8,854,660)	8,854,660
30 June 2021	(11,105,027)	11,105,027

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

	% of Portfolio	
Industry	30 June 2022	30 June 2021
Financials	34.25%	22.14%
Industrials	29.57%	18.55%
Construction Materials	19.04%	10.87%
Commercial & Professional Services	4.38%	10.59%
Agriculture	4.16%	4.68%
Healthcare	3.98%	4.99%
Travel & Leisure	3.01%	13.56%
Information Technology	1.61%	10.20%
Real Estate	0.00%	4.42%
	100.00%	100.00%

17. FINANCIAL RISK MANAGEMENT (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 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.

	Less than 1 year \$	> 1 year to 5 years \$	5+ years \$	Total \$	Carrying amount \$
30 June 2022					
Trade and other payables	1,044,755	–	–	1,044,755	1,044,755
Borrowings	–	–	23,000,000	23,000,000	22,454,959
Total	1,044,755	–	23,000,000	24,044,755	23,499,714

	Less than 1 year \$	> 1 year to 5 years \$	5+ years \$	Total \$	Carrying amount \$
30 June 2021					
Trade and other payables	572,076	–	–	572,076	572,076
Borrowings	–	–	23,000,000	23,000,000	22,365,538
Total	572,076	–	23,000,000	23,572,076	22,937,614

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, 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 (CONTINUED)

d) Fair Value Hierarchy (continued)

As at 30 June 2022, the Company had \$2,500,000 (2021: \$nil) financial assets held at fair value through profit or loss included in level 3. The unlisted equity in MitchCap Pty Ltd is categorised as Level 3 given that it is not traded in an active market. The fair value of this level 3 unlisted position has been estimated with reference to a recently observed transaction. Should the recently observed transaction price have varied by +/- 10% then this would result in a change of +/- \$250,000 in the investment's fair value as at 30 June 2022.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2022				
Financial assets	86,020,240	26,359	2,500,000	88,546,599
Total	86,020,240	26,359	2,500,000	88,546,599

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2021				
Financial assets	111,050,270	–	–	111,050,270
Total	111,050,270	–	–	111,050,270

Reconciliation of Level 3 fair values

Financial assets measured using significant unobservable inputs (Level 3) are shown below:

	30 June 2022 \$
Opening balance	–
Purchases	2,500,000
Unrealised gain/(loss) on financial instruments held at fair value through profit or loss	–
Closing balance	2,500,000
Total gains/(losses) on Level 3 financial assets	–

e) Capital Management

The Company's objectives for managing capital are:

- to achieve consistent returns 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, the dividend reinvestment plan (DRP), convertible note issues 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 cents	Year ended 30 June 2021 cents
Basic and diluted earnings per share	(17.54)	31.73

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	72,952,814	65,119,013

	\$	\$
Net (loss)/profit used in the calculation of basic and diluted (loss)/earnings per share	(12,796,392)	20,664,305

19. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2022 (2021: \$nil).

20. SUBSEQUENT EVENTS

On 18 August 2022 the Company declared a final dividend of 3.75 cents per share, 50% franked, to be paid on 28 October 2022.

Other than the matters described above, there has been no matter or circumstance occurring subsequent to the end of the period 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 Emerging 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

ADDITIONAL INFORMATION

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:

Listed Investments	Unlisted Investments
BSA Limited Listed Options	Experience Co. Limited
Big River Industries Limited	Future First Technologies Limited
BSA Limited	Maxiparts Limited
BTC Health Limited	Move Logistics Limited
Camplify Holdings Limited	Saunders International Limited
COG Financial Services Limited	Supply Network Limited
Contango Asset Management Limited	Wingara AG Limited

During the financial year ended 30 June 2022, the Company had 550 (2021: 852) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2022 were \$344,213 (2021: \$420,745).

20 LARGEST SHAREHOLDERS

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

Shareholders	Ordinary shares held	% of issued shares
Myall Resources Pty Ltd	2,611,029	3.58%
Nivesa Pty Ltd	1,862,438	2.55%
HSBC Custody Nominees (Australia) Limited	1,340,643	1.84%
Myall Resources Pty Ltd	1,229,588	1.69%
Patagorang Superannuation Pty Ltd	1,077,193	1.48%
NAOS Asset Management Limited	1,007,350	1.38%
Petsaldage Pty Ltd	1,000,900	1.37%
IR and JB Investments Pty Ltd	941,429	1.29%
W W E Investments Pty Ltd	841,098	1.15%
Netwealth Investments Limited	542,993	0.74%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	499,081	0.68%
Tilt Consulting Pty Ltd	497,779	0.68%
Hidiga Pty Ltd	429,522	0.59%
Burtoh Ventures Pty Ltd	411,329	0.56%
Vasnan Pty Ltd	376,019	0.52%
Mr William Blomfield	350,000	0.48%
Raystall Pty Ltd	331,250	0.45%
Mifar Pty Ltd	322,075	0.44%
Dasi Investments Pty Ltd	301,659	0.41%
Woodduck Pty Ltd	300,000	0.41%
Total	16,208,023	22.22%

ADDITIONAL INFORMATION

Continued

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	283	162,614	0.22%
1,001–5,000	617	1,821,884	2.50%
5,001–10,000	392	3,122,346	4.28%
10,001–100,000	1,277	40,653,867	55.73%
100,001 and over	93	27,192,103	37.27%
Total	2,662	72,952,814	100.00%

20 LARGEST CONVERTIBLE NOTE HOLDERS

Details of the 20 largest convertible note holders and their respective holdings as at 31 July 2022.

Convertible note holders	Convertible notes held	% of issued convertible notes
HSBC Custody Nominees (Australia) Limited	13,640	5.93%
National Nominees Limited	13,400	5.82%
Mutual Trust Pty Ltd	12,841	5.58%
Jetosea Pty Ltd	9,980	4.33%
KST Group Pty Ltd	9,500	4.13%
Davft Pty Ltd	7,000	3.04%
VCM Investments Pty Ltd	5,138	2.23%
Riseley Family Investments Pty Ltd	5,000	2.17%
Press Form Holdings Pty Ltd	4,980	2.16%
Securities And Estates Pty Ltd	4,800	2.08%
Perpetual Corporate Trust Ltd	4,000	1.74%
ACN 101 162 056 Pty Ltd	3,700	1.61%
The Friends School D/F Inc	3,445	1.50%
G Chan Pension Pty Ltd	3,000	1.30%
Dr Graeme Peter Dorahy & Mrs Jean Elizabeth Dorahy	2,679	1.17%
Gerard Mccluskey Pty Ltd	2,500	1.09%
Mr William Johnston & Ms Christine Johnston	2,500	1.09%
Natilli SMSF Pty Ltd	2,500	1.09%
Lunoo Pty Ltd	2,500	1.09%
Mr Raymond Peter Dorahy	2,158	0.94%
Total	115,261	50.09%

DISTRIBUTION OF CONVERTIBLE NOTES

Analysis of convertible notes by size of convertible note holders as at 31 July 2022.

Category	Number of convertible note holders	Convertible notes held	% of issued notes
1–1,000	273	68,314	29.7%
1,001–5,000	42	90,187	39.21%
5,001–10,000	4	31,618	13.75%
10,001–100,000	3	39,881	17.34%
100,001 and over	–	–	–
Total	322	230,000	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 convertible notes (ASX code: NCC and NCCGA respectively) of the Company on all member exchanges of the Australian Securities Exchange Limited.

BUYBACK

Currently there is no intention to buy back any of the shares of the Company.

UNMARKETABLE PARCELS

As at 31 July 2022, the number of shareholdings held in less than marketable parcels was 134.

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

David Rickards OAM (Independent Chair)
Warwick Evans (Director)
Sebastian Evans (Director)
Sarah Williams (Independent Director)

COMPANY SECRETARY

Sebastian Evans
Rajiv Sharma

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)

CONTACT DETAILS

T: (02) 9002 1576
E: enquiries@naos.com.au
W: www.naos.com.au

SHARE REGISTRY

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: 1300 737 760

AUDITOR

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

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