NAOS EMERGING
OPPORTUNITIES
COMPANY LIMITED

(ASX: NCC)
ABN 58 161 106 510

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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 2023

All comparisons are to the year ended 30 June 2022

	$	up/down	% change
Revenue from ordinary activities	1,078,346	up	107%
Loss from ordinary activities before tax attributable to shareholders	(1,740,753)	up	90%
Loss from ordinary activities after tax attributable to shareholders	(457,087)	up	96%

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2023 Final dividend	3.75c	1.875c	25%
2023 Interim dividend	3.75c	1.875c	25%

Final Dividend Dates

Ex-dividend date	4 October 2023
Record date	5 October 2023
Last date for DRP election	6 October 2023
Payment date	27 October 2023

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 2023 $	30 June 2022 $
(Post Tax) Net tangible asset backing per share	0.85	0.93

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.

N A O S

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NCC

NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

ANNUAL REPORT 2023

ACN 161 106 510

CONTENTS

Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

KEY DATES

2023 ANNUAL GENERAL MEETING

Tuesday 14 November 2023

NAOS Emerging Opportunities Company Limited advises that its Annual General Meeting (AGM) will be held at 10.00 am (AEDT) on Tuesday 14 November 2023 at The Fullerton Hotel, No. 1 Martin Place, Sydney 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 19 September 2023.

FY23 FINAL DIVIDEND DATES

Ex-Dividend Date:

Wednesday 4 October 2023

Record Date:

Thursday 5 October 2023

Last Date for DRP Election:

Friday 6 October 2023

Payment Date:

Friday 27 October 2023

NAOS INVESTOR ROADSHOW

The NAOS Investor Roadshow will be coming to a city near you this October. Join us as the investment team discusses its investment philosophy and process and provides an outlook on the market. We will also highlight a selection of stocks that are held within our Listed Investment Companies (LICs).

We invite you to come along with a guest, meet us in person, and understand more about NAOS Asset Management (NAOS) and our LICs. Register today to secure your seat.

Adelaide

Thursday 12 October
10.30 am–12.00 pm

Mayfair Hotel
45 King William Street
Adelaide SA 5000

Canberra

Tuesday 24 October
10.30 am–12.00 pm

Hyatt Hotel Canberra
120 Commonwealth Avenue
Canberra ACT 2600

Melbourne

Tuesday 17 October
10.30 am–12.00 pm

The Westin Melbourne
205 Collins Street
Melbourne VIC 3000

Perth

Tuesday 24 October
11.00 am–12.30 pm

InterContinental Perth City Centre
815 Hay Street
Perth WA 6000

Brisbane

Thursday 19 October
10.30 am–12.00 pm

Customs House
399 Queen Street
Brisbane QLD 4000

Sydney

Thursday 26 October
10.30 am–12.00 pm

Australian Museum
1 William Street
Sydney NSW 2010

Newcastle

Monday 23 October
10.30 am–12.00 pm

Rydges Newcastle
Wharf Road and Merewether Street
Newcastle NSW 2300

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

NAOS EMERGING OPPORTUNITIES COMPANY LIMITED

NAOS Emerging Opportunities Company Limited (ASX: NCC) seeks to provide long-term, concentrated exposure to Australian public and private emerging companies 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).

KEY HIGHLIGHTS

7.50 cps
FY23 Dividend (50% franked)

10 years
of Increasing or Stable Dividend

11.03%
FY23 Dividend Yield (50% franked)

+4.32% p.a.
Investment Portfolio Outperformance to Benchmark Since Inception

KEY METRICS AS AT 30 JUNE 2023

Pre-Tax Net Tangible Assets per Share
$0.81

Post-Tax Net Tangible Assets per Share
$0.85

FY23 Dividend (cents per share)
7.50 cents

50% Franked Dividend Yield
11.03%

Share Price
$0.68

Shares on Issue
72,952,814

Convertible Note Price (ASX: NCCGA)
$88.20

Convertible Notes on Issue
230,000

Directors' Shareholding (number of shares)
5,634,788

Profits Reserve (cents per share)
37.8 cents

INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2023

	NCC Investment Portfolio Performance*	S&P/ASX Small Ordinaries Accumulation Index	**Performance Relative to Benchmark**
1 Year	+0.34%	+8.45%	**−8.11%**
3 Years (p.a.)	+8.10%	+5.16%	**+2.94%**
5 Years (p.a.)	+1.91%	+2.25%	**−0.34%**
10 Years (p.a.)	+8.22%	+6.81%	**+1.41%**
Inception (p.a.)	+9.00%	+4.68%	**+4.32%**
Inception (Total Return)	+143.81%	+60.52%	**+83.29%**

*Investment Portfolio Performance is post all operating expenses before fees, taxes, interest, 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

SARAH WILLIAMS

Independent Chair

Sarah Williams was appointed as an Independent Director in January 2019 and elected Independent Chair on 1 December 2022. Sarah is also the Independent Chair of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and an Independent Director of NAOS Small Cap Opportunities Company Limited (ASX: NSC).

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.

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.

DAVID RICKARDS OAM

Independent Director

David Rickards OAM has been an Independent Director of the Company since its inception. David is also an Independent Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and Independent Chair of NAOS Small Cap Opportunities Company Limited (ASX: NSC). 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 from 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).

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 Chair of 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.

LETTER FROM THE CHAIR

SARAH WILLIAMS
Independent Chair

Dear fellow shareholders,

On behalf of the Board, welcome to the Annual Report of NAOS Emerging Opportunities Company Limited for the financial year ended 30 June 2023. I would like to thank all shareholders for your continued support and welcome all new shareholders.

For the financial year ending 30 June 2023 (FY23), the Company recorded an after-tax loss of $0.46 million (FY22: after-tax loss of $12.80 million). I am pleased to announce the Board has declared a final dividend of 3.75 cents per share, partially franked at 50%. This brings the dividends paid for the year to 7.50 cents per share, partially franked at 50%. This represents a 11.03% net dividend yield, based on the 30 June 2023 share price of $0.68. The Company has now declared a total of 72.50 cents per share in dividends since its inception in 2013.

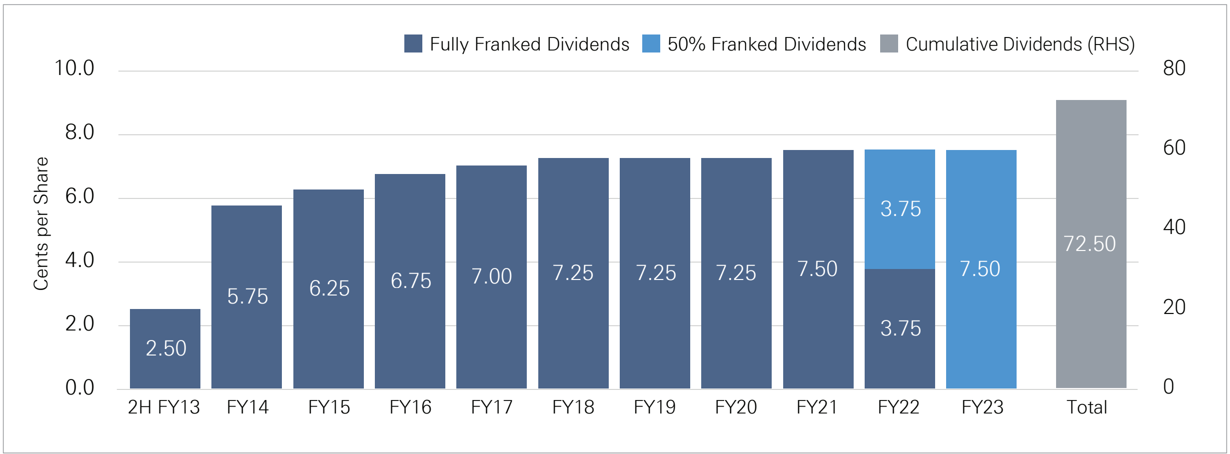
The Board aims to provide shareholders with a sustainable, growing stream of dividends, franked to the maximum extent possible while also maintaining sufficient profit reserves to enable the Company to pay dividends during periods such as this financial year, where it has been more difficult to generate significant performance. The profit reserve balance at 30 June 2023 was $27.5 million, or 37.8 cents per share.

FY23 has been a year of rapid macroeconomic change. The Reserve Bank of Australia commenced the second most rapid rise in interest rates in history, triggering revaluations in every asset class, from equities, to property and bonds. Investors across financial markets have keenly felt this change, as the increase in the risk-free rate has seen many investors either reduce their allocation to equities or transition their portfolios to larger, more liquid businesses, which are generally perceived as lower risk. This has seen investor appetite for many small-cap industrial companies decrease significantly. Through FY23, financial pressures for these businesses have been their highest in a few decades, while the jobs market has remained very tight, with both employment and participation rates at record highs.

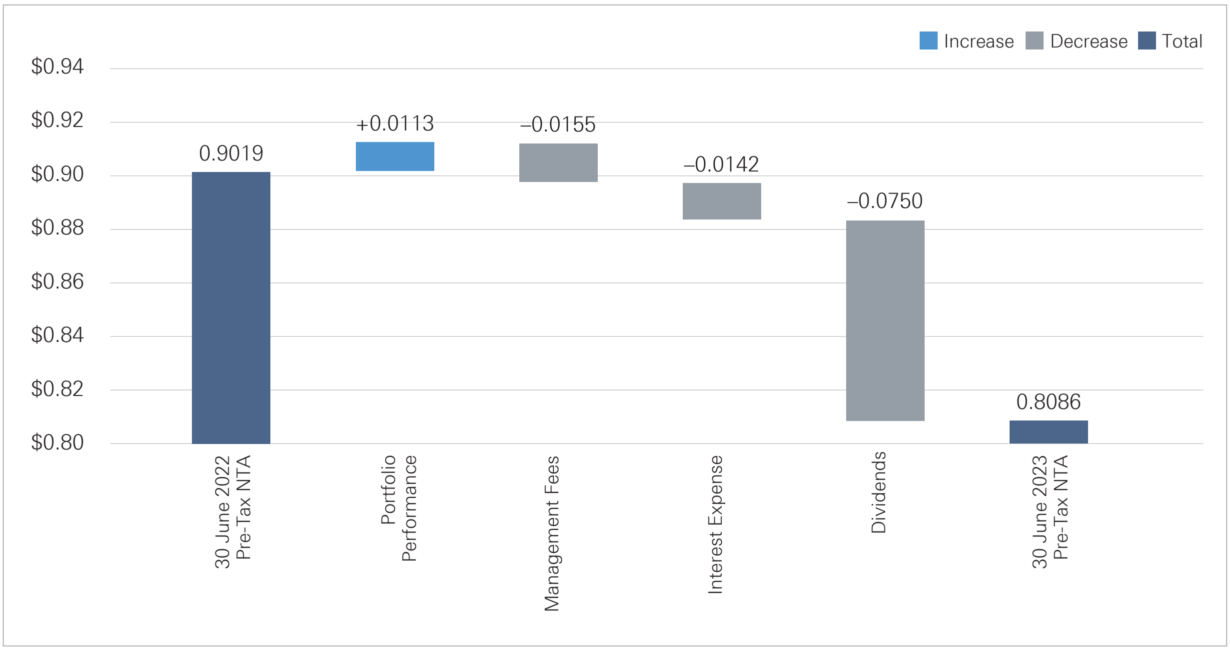
> “The Company has now declared a total of 72.50 cents per share in dividends since its inception in 2013.”

An equally noticeable shift during FY23 impacting many businesses has been a change in consumer preferences, particularly away from discretionary spending, against a backdrop of the termination of government COVID-19 stimulus and the increasing cost to service household debt. Despite these changes, the Company remains focused on providing long-term, concentrated exposure to emerging businesses, which have the ability to grow their market share and earnings power through difficult periods in the economic cycle. Against this backdrop, the NCC Investment Portfolio delivered a return of +0.34% for the financial year, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index, which returned +8.45%.

NCC Dividend History



NCC Pre-Tax NTA Performance



The pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from $0.90 to $0.81 over the financial year. The performance of the Investment Portfolio increased NTA per share by 1.13 cents over the year. 7.50 cents per share was paid to shareholders in franked dividends, and management fees and interest expense on the convertible notes decreased the NTA by 1.55 cents per share and 1.42 cents per share respectively.

Total Shareholder Return (TSR), which measures the change in the share price together with dividends paid over the period, was –9.99%. This measure does not include the benefit of franking credits received by shareholders through franked dividends. The share price discount to the pre-tax NTA of the Company moved from –7.78% in FY22 to –16.05% at the end of FY23, with the share price closing at $0.68.

The Board remains committed to closing this discount through a range of initiatives, including the following:

- **Differentiated and Consistent Investment Strategy**: The Company will continue to follow its investment strategy and there will be no significant deviation from this strategy over the long term, ensuring that all shareholders understand what the Company is aiming to provide. The Board believes the strategy is unique and differentiated, with little scope for it to be replicated.
- **Alignment**: The Directors as well as the staff of the Investment Manager have increased their ownership of NCC shares significantly since inception and will endeavour to continue to do so, ensuring strong alignment with all shareholders. As at the end of the financial year, Directors own a total of 5.63 million NCC shares.
- **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.
- **No Dilutionary Share Issues**: The Company will not issue shares below the post-tax NTA per share of the Company as the Board does not believe this to be in the best interests of shareholders. For example, for those shareholders who participated in the Dividend Reinvestment Plan (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 places a high priority on providing shareholders with timely, regular updates on the Company's performance and investment philosophy, and the performance of the underlying businesses held in the Investment Portfolio. These updates are delivered in the form of monthly NTA and portfolio updates, a new Quarterly Investment Report, quarterly Investor Update Webinars, and regular investment news and insights, as well as an annual Investor Roadshow.

While the current macro environment may continue to prove challenging for emerging companies as we move through FY24, the Board believes the NAOS investment philosophy will continue to generate strong performance for shareholders over the longer term.

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

Sarah Williams
Independent Chair

22 August 2023

INVESTMENT MANAGER'S REVIEW

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

Dear fellow shareholders,

For the financial year ending 30 June 2023 (FY23), the NCC Investment Portfolio returned +0.34%, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which increased by +8.45%, in another challenging year for emerging equities. This brings Investment Portfolio performance since inception to +9.00% p.a., outperforming the XSOAI return of +4.68% p.a. over the past 10 years and 5 months.

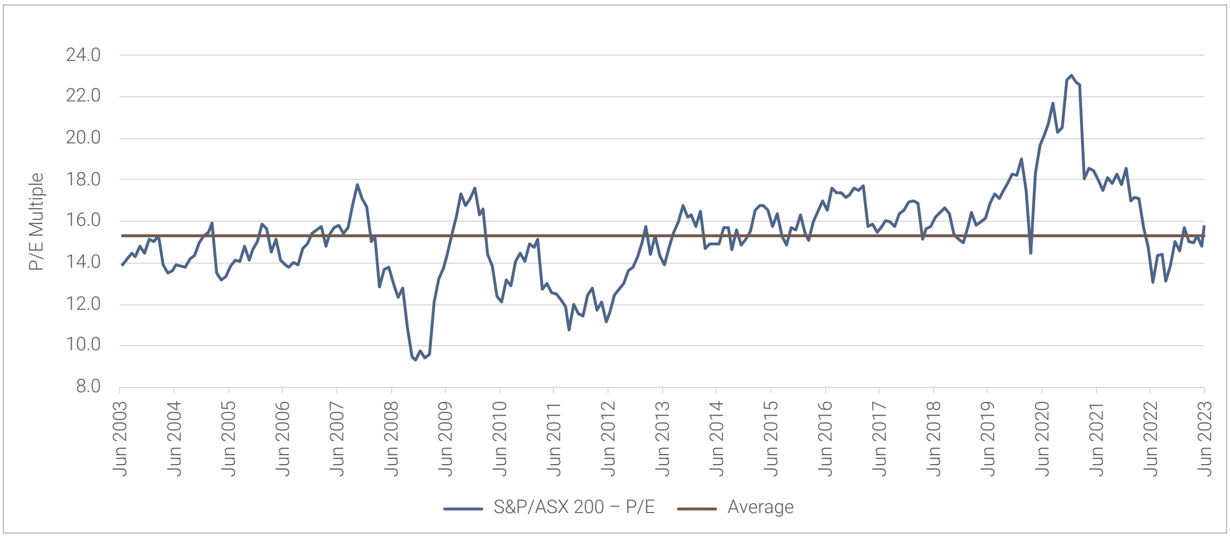
WAS IT REALLY TRANSITORY?

It felt like the term most frequently used (and often misused) during the last 12 months was 'transitory'. However, as investors persisted through FY23, the use of the word gradually declined to the point where it seemed to have almost vanished from everyone's vocabulary. FY23 taught us an important lesson: certain macro movements and events, such as inflation, interest rate rises, labour shortages and even wars have proven to be anything but transitory. None of the aforementioned factors have shown any signs of reversing soon. The graph below illustrates that valuation compression has not subsided, and the recent stabilisation of price-to-earnings (P/E) valuations for industrial businesses within the S&P/ASX 200 can be attributed more to the slowing or declining earnings of these businesses rather than stock prices moving higher.

The actions of the Reserve Bank of Australia (RBA) in raising interest rates to combat persistently high inflation has resulted in lower risk, or risk-free investments, providing increasingly acceptable returns for investors, particularly when compared to numerous equity investments. When this tightening cycle commenced in FY22 there was a noticeable shift among investors, who began reassessing their overall exposure to equities due to the availability of alternative, risk-free returns, and equity markets consequently experienced declines, especially in sectors with inflated or irrational valuations.

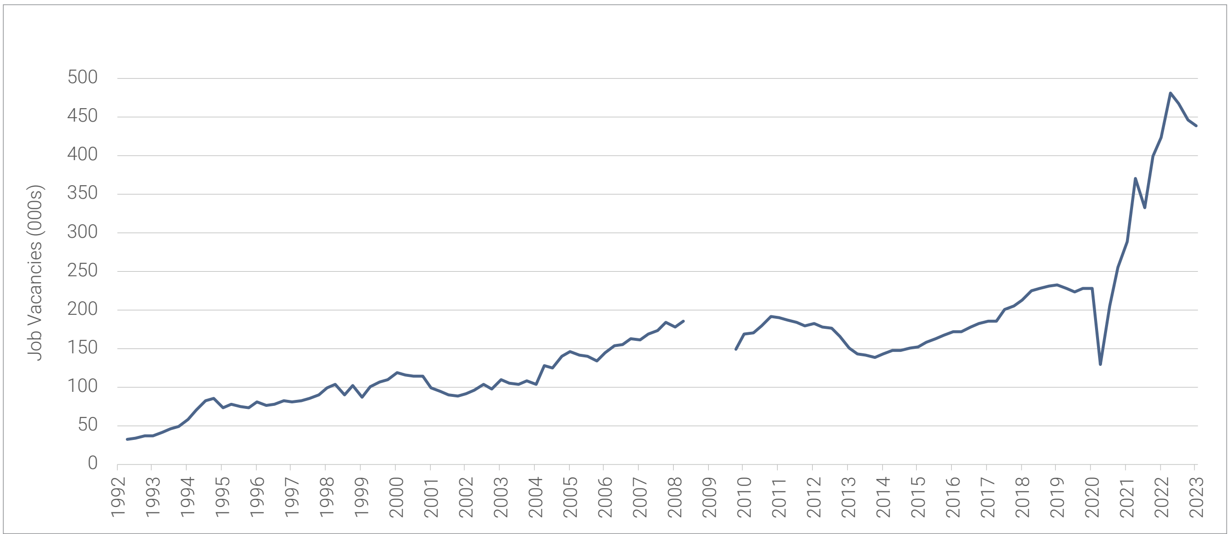
Over the last 12 months, interest rate rises and inflationary pressures have continued to generate the most headlines, and their impact has extended into the wider economy, with the effects keenly felt by the consumer, businesses and asset prices. Labour shortages also continue to be a significant challenge in the post-COVID environment, with many businesses desperate to hire staff, as shown in the graph on the following page.

S&P/ASX 200 – Valuation (Price to Earnings)



Source: FactSet

Job Vacancies – Australia



Source: FactSet

These various factors have led to a significant increase in uncertainty around the earnings trajectories of many listed businesses, particularly retail and consumer discretionary stocks. Towards the end of FY23, several companies provided trading updates confirming that the current macro environment was now adversely impacting their operations in a significant manner. Such examples included retailers Universal Store Holdings (ASX: UNI), Michael Hill International (ASX: MHJ), City Chic Collective (ASX: CCX), Dusk Group (ASX: DSK) and Baby Bunting (ASX: BBN).

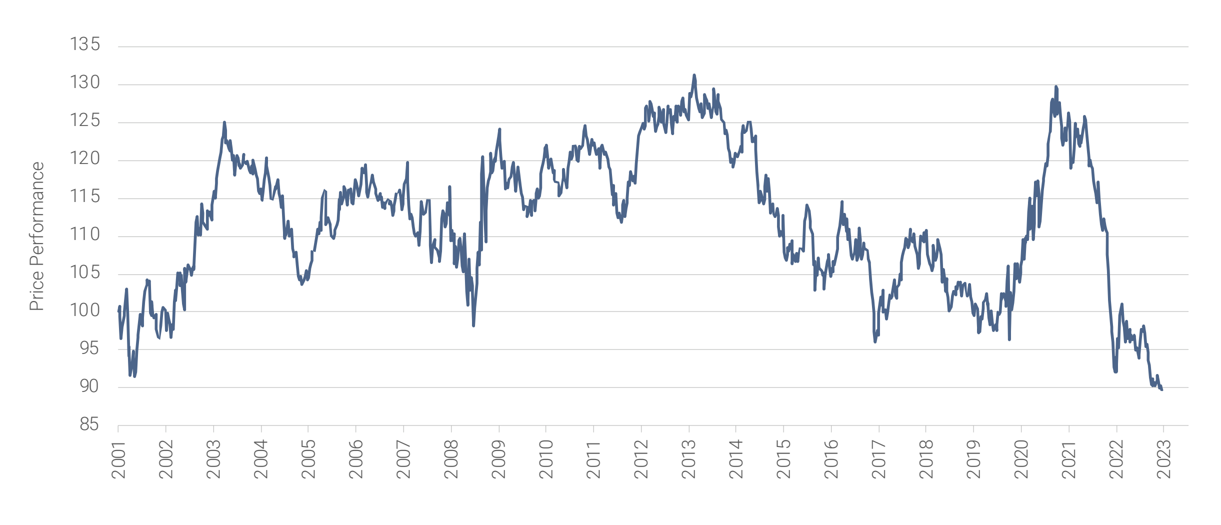
Arguably, the investing environment we face today was last experienced more than a decade ago. During that period, interest rates offered a reasonable return, businesses with negative cash flows were not valued on revenue multiples, and economic cycles occurred. Admittedly, economic cycles can bring with them short-term pain for investors and businesses alike, but they can also bring extraordinary opportunities. The graph below highlights how depressed the current opportunity set is within emerging companies. The first graph compares the price performance of small-cap industrial businesses relative to their larger peers over the past three years, highlighting that small-cap industrials have underperformed their larger peers by 20% on a peak-to-trough analysis or by 10% over the three-year period.

"Price movements can often be indiscriminate, but one thing the share price movements of emerging businesses taught us during both the GFC and the COVID-19 pandemic, was that investing in quality, proven and well-funded businesses during such times can yield fantastic returns."

S&P/ASX Small Industrials Relative to S&P/ASX 200 Industrials – 2020 to 2023

Source: FactSet

S&P/ASX Small Industrials Relative to S&P/ASX 200 Industrials – 22-Year History



Source: FactSet

When we review the data over a longer period (in this case, since June 2001 as shown in the graph above), the underperformance is significantly more pronounced, with the discount of emerging industrial businesses to their larger counterparts at its widest level, even when factoring in the global financial crisis (GFC) and the tech wreck period in the early 2000s. Price movements can often be indiscriminate, but one thing the share price movements of emerging businesses taught us during both the GFC and the COVID-19 pandemic, was that investing in quality, proven and well-funded businesses during such times can yield fantastic returns. Another important lesson learned is that picking share price lows is a futile exercise, especially when investing in large dollar amounts, and while there may be short-term pain in some cases, we firmly believe the long-term gains will be significantly outsized for many emerging businesses.

EVENTS OF SIGNIFICANCE

In my experience of over 16 years in investing, one thing that has become abundantly clear is that share price movements are typically the culmination of a series of prior events related to the business and accompanied by a considerable amount of hard work. With this in mind, I highlight below several events that transpired in FY23, which, in our view, have the potential to generate outsized shareholder returns in the coming years.

MitchCap Secures $270 Million in Financing

As the first unlisted investment in NCC, we have high hopes for MitchCap and to date, we remain highly impressed with the management team of the business and are very positive on the outlook for the business over the long term.

Profitably growing a financing business is never an easy task and in today's higher interest rate environment, it has clearly become much harder. In our view, the fact that MitchCap has secured a substantial financing package (inclusive of senior debt, mezzanine financing and equity), demonstrates the strength of the business model and highlights the growth opportunities that lie ahead. This financing package (with $275 million of lending facilities – up from $150 million) provides the business with the financial scale to continue to grow its network of dealers (marine, caravan, RV and agricultural equipment) aggressively. For context, MitchCap was founded in FY19 and as at the end of FY23, it now has over 250 dealerships nationwide and 50 original equipment manufacturers (OEMs) on its network. To enable MitchCap to continue on this growth trajectory, a growing funding capability is required to enable the business to service both existing and new customers without compromising the customer experience. We believe this new financing structure gives the business ample capacity to increase dealership numbers to approximately 600 over the next two years, and solidify its position as Australia's leading provider of commercial distribution financing, excluding auto dealerships.

Financing businesses are not for every investor due to the inherent credit risk involved, but we believe MitchCap ticks many of the boxes we look for in a business within this sector. It deals with business customers, offers an essential service to its customers, has implemented best-in-class asset tracking, and operates in a field with limited competition. While we are sure FY24 will not be all smooth sailing; the key metrics of the business should continue to point in the right direction. Over time, we believe MitchCap has the potential to establish itself as an industry-leading financial services player, generating significant recurring cash profits.

COG Financial Services Novated Leasing Expansion

In March 2023, COG Financial Services Limited (ASX: COG) completed its acquisition of Paywise, a Western Australia-based salary packaging and novated lease provider. As part of this transaction, COG also entered into an agreement with workers compensation provider EML Group, to acquire 18% of the combined COG novated leasing and salary packaging business.

Following the acquisition of Paywise, the novated leasing segment of COG will now account for over 20% of the group's earnings, while the remaining earnings will be derived from finance broking and aggregation, insurance broking and funds management. This acquisition provides the novated leasing division of COG with the necessary scale, technology and personnel to compete in an industry that has become highly concentrated and dominated by players like Smartgroup (ASX: SIQ) and McMillan Shakespeare (ASX: MMS). Given the concentrated nature of the industry, we believe there is ample room for further competition. Additionally, with EML Group now a minority owner of the group and a customer base consisting of government departments, corporations and unions, which could all potentially benefit from a novated leasing product, it opens up numerous additional opportunities for COG to pursue.

Another key strategic aspect of this acquisition for COG is our belief that Australia is on the verge of a period of high churn as businesses and consumers transition to electric vehicles (EVs), as shown in the graph below. This is due to the significant technological advancements we have seen in EVs, together with recently announced government subsidies for people who acquire an EV (below a specific amount), through novated leasing. The graph below outlines the small but increasing percentage of EVs as a proportion of total vehicle sales. Furthermore, in a recent (May 23) SIQ presentation, the company stated that in Q1 CY23, ~24% of all quotes were for an EV, compared with ~2% for the corresponding quarter in CY22.

While we do not envisage novated leasing ever accounting for more than 50% of COG's earnings profile, it adds valuable diversification to the business. Similar to the other divisions within COG, it operates with relatively low capital requirements, has highly repetitive processes, and is exposed to favourable industry trends.

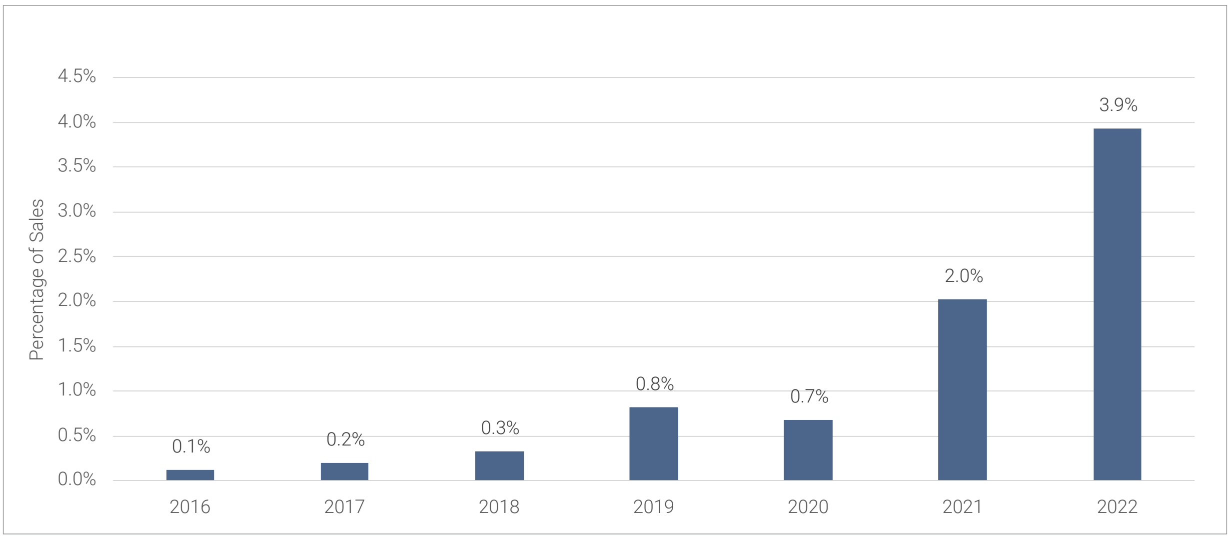
Saunders International Limited – Acquisition of Automation IT and Significant Project Wins

For at least the last three years, it has felt like a transformational year for Saunders International Limited (ASX: SND), and while FY23 may not appear to be as decisive, we still believe it was a year where SND continued its transition into a diversified contracting business of substantial scale.

SND has continued to expand its operations in the automation of control systems by acquiring Automation IT, a Queensland-based company. Prior to this acquisition, we estimate that SND had approximately 20 engineers dedicated to automation services. With the integration of Automation IT, this division will now have over 50 engineers and is projected to contribute more than 15% of SND's EBIT in FY24. Only two years ago, this division within SND was non-existent so it is testament to the capabilities of Managing Director Mark Benson and his team, who have been able to effectively scale this division in SND with minimal capital investment. Longer term, this division should continue to grow at a significant rate as there is increasing demand for these skills from clients and industries, including the Department of Defence, health care, data centres and property developments. We believe small and medium-sized project work is dominated by unlisted business Sage Automation, but with SND's increased scale and advantage of being a well-capitalised, publicly listed business, it should in theory provide a genuine competitive threat.

Another noteworthy development for SND during the year was its ability to secure contracts of greater scale and refill its order book as the substantial Caymus contract ($165 million) winds down. Among the notable contracts secured by SND are the storage tank work for the new Western Sydney International Airport (valued at $44 million), and the BP Kwinana Renewable Fuels Project (valued at $42 million). While both contracts are much smaller than the Caymus contract won in 2022, they still represent the second-and-third largest contracts that SND has ever secured. SND has also continued to diversify its earnings by securing a wide variety of contracts across tank construction, bridge work, tank maintenance, automation and plant shutdowns. Although FY23 may not have panned out perfectly, in our view, it was still a pivotal year if SND is to reach its ambitious targets over the next 3–5 years.

Electric Vehicles as Percentage of Total Vehicle Sales



Source: Statista

FY23 NOTABLE INVESTMENT PORTFOLIO CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

Big River Industries Limited (ASX: BRI)

BRI has been a fixture in the NCC Investment Portfolio for approximately seven years. At the time we first invested, BRI was a business with revenue of $120 million and less than $9 million of EBITDA, operating across nine sites. Based on FY23 market expectations, revenue is expected to exceed $450 million and EBITDA >$50 million, supported by a disciplined acquisition strategy and organic growth. BRI has expanded its presence to 26 sites throughout Australia and New Zealand. FY23 has seen BRI benefit from a number of factors, including price inflation, scarcity of supply, and increased demand driven by government stimulus, which assisted the business in achieving record margins in the first half of the financial year.

From an industry point of view, newspaper headlines have done a good job in painting a negative picture for mortgagors and house builders across the country given the RBA's record pace of interest rate rises. However, as the Housing Industry Association (HIA) graph below shows, there is a structural shortage of housing in Australia. This shortage is forecast to remain for the next decade, thus providing a significant tailwind for both BRI and the broader construction industry.

In our view, the returns provided to shareholders thus far have been driven purely by earnings growth and increased dividend payments rather than a re-rate in the company's valuation multiple. BRI currently trades at a price-to-earnings (P/E) multiple of less than nine times, which we consider to be a modest valuation for a business of BRI's current scale and the growth potential that exists within a fragmented market. Over the longer term we believe BRI has the potential to be a $1 billion-revenue business with EBITDA of >$100 million, and as this transformation occurs (and liquidity improves), we anticipate the valuation multiple to re-rate accordingly, similar to what occurred in an adjacent industry with a comparable business, Reece (ASX: REH).

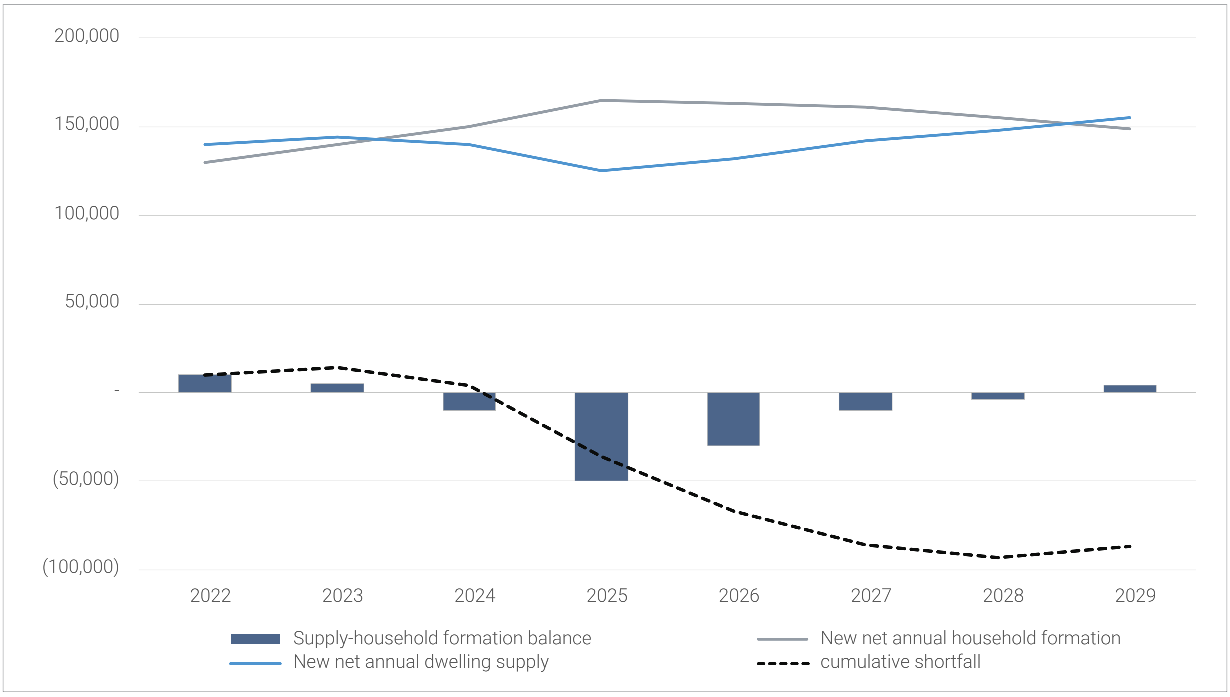
Saunders International Limited (ASX: SND)

Over the past three years, SND has been the largest contributor to NCC's Investment Portfolio performance, and FY23 maintained this trend, albeit at a more moderate level. We anticipated FY23 to be a year of consolidation and project execution for SND, considering its recent rapid revenue growth together with the expected completion of the largest contract ever awarded to the company, the $160 million project Caymus contract.

However, FY23 had its challenges for SND, as highlighted by the termination by convenience on project Caymus, which was at an advanced stage of completion. While it is disappointing that SND will not be able to complete the project as initially intended, it demonstrates SND's ability to successfully tender, win, and execute large engineering, procurement and construction (EPC) contracts.

Despite the setback, SND has managed to secure two significant new contracts valued at over $40 million each. This has helped maintain a relatively stable order book value, even after the loss of the remainder of project Caymus. Additionally, management has focused on diversifying the company's revenue streams, both organically and through

Estimated Supply & Demand Balance – Total Dwellings Australia



Source: HIA

acquisitions, as exemplified by the acquisition of Automation IT late in FY23. As a result, we believe the percentage of group earnings related to automation services will be close to 20%, compared to 0% just two years ago.

SND, like many contracting businesses, faces challenges such as labour shortages, client contract demands, and variability in raw material prices. However, the demand environment remains extremely strong, and if projects require high-level specifications and cost-effective completion, we believe SND will continue to secure its fair share of profitable work.

DETRACTORS

Associate Global Partners (ASX: APL)

As a distributor of both equity and debt investment management products, given the current investing environment it is no surprise that APL was a negative contributor to the NCC Investment Portfolio in FY23.

The significant increase in cash rates that has resulted in the availability of genuine risk-free alternatives for investors, contributed to Funds Under Management (FUM) falling organically by –37% from their peak in Dec 21, but this decrease was offset somewhat by an acquisition late in FY23. As with all funds management businesses the cost base is relatively fixed, so the effect on free cash flow is significant as revenue falls.

While market movements and investor sentiment to equities are beyond APL's control, we believe a number of positive strategic events that occurred in FY23 position APL well when market sentiment turns. The first of these was the partnership with Woodbridge Capital, an investor in first mortgage secured debt investments within Australia and New Zealand. Over the past five years there has been a surge in the number of debt-focused fund managers, with several notable success stories such as Qualitas (ASX: QAL) and Metrics (part of the Pinnacle Group, ASX: PNI). APL already partners with a first-rate global manager in WCM International, so it is imperative that as it expands its product offerings to encompass debt, Australian equities and alternatives, it partners with top-tier managers that it can then cross-sell to its investor base. We believe the partnership with Woodbridge is a step in the right direction to executing on this strategy. Secondly, APL acquired a small fund distribution business that focuses wholly on institutional clients (as opposed to APL, which is solely focused on retail and wholesale clients). The acquisition will not be financially material but it does add a capability to introduce funds to institutional clients, if required, and provide a complete offering. APL has faced a long and challenging journey thus far, but when the demand for equities returns, there is great potential in owning a fund manager, especially one on the cusp of scale.

BTC health Limited (ASX: BTC)

Over the past two to three years the smallest sized companies have proved to be the biggest handbrake on the performance of the NCC Investment Portfolio, with BTC being the epitome of that. Despite having positive attributes, such as exposure to favourable industry dynamics in healthcare equipment distribution, a CEO who has created significant value in his previous roles, and a management team with substantial equity ownership, BTC has not lived up to expectations. FY23 further emphasised this underwhelming performance.

One of the key issues with BTC has been the slow expansion of its product portfolio, leading to a high level of concentration risk with a single large product manufacturer. This risk became evident when the manufacturer decided to discontinue supplying these devices to the Australian market, affecting BTC and other distributors.

We have taken swift action, although not as quickly as desired, to protect the remaining value of our investment by seeking the appointment of NAOS representative Brendan York to the BTC Board, which has led to significant changes at BTC. The ability of the BTC team to restore value for shareholders remains to be seen, but we remain confident we will maximise value for our shareholders over the next 12–36 months, and conclude what has been a very disappointing investment.

FY24 OUTLOOK

As we move into FY24, the prevailing sense of uncertainty has led to very little conviction among the investment community as well as many business leaders. In our experience, uncertainty generally leads to lower valuations, especially for emerging businesses. However, when taking a step back and applying a small dose of objectivity and rationalisation, it becomes evident for a number of areas within the economy that while the wheels may indeed slow, they will continue to turn. Over time, it is not unreasonable to expect that these sectors will regain momentum and, consequently, valuations will also increase.

I use this analogy as we want all our investments to be exposed to industries that will grow over time, as we have found this not only greatly reduces the risk of entering into a poor investment, but also increases the probability of the investment generating outsized positive returns over the long term. We believe many, if not all, of our core investments have exposure to industries with significant tailwinds that include:

- shortage of detached housing and multi-residential dwellings
  (Big River Industries);
- reducing the infrastructure project backlog
  (Saunders, COG Financial Services & Big River Industries);
- overhaul and renewal of Australia's Defence infrastructure
  (Saunders International);
- transition to renewable energy products
  (BSA Limited);
- continued investment by SMEs to transition to modern systems
  (Ordermentum).

One other thematic we also believe will come to the forefront over the next 12–18 months, will be the advantage public businesses will have relative to their private counterparts given the challenging macroeconomic conditions that are likely to persist. Numerous industries are dominated by private businesses that have founders from the baby-boomer generation. Many of these founders will be approaching decisions regarding succession or potential expansion opportunities. Both pathways can be fraught with financial risk and a level of uncertainty, which can lead a founder to seek the sale of an entire business so as to provide certainty to all parties involved. SND, COG, and BRI have already made strategic acquisitions in this regard, and we expect them to continue pursuing such opportunities. Furthermore, we expect some of the other core NCC investments to pursue similar opportunities if they make financial and strategic sense.

FY24 may well prove to be another turbulent year for emerging equities, but we remain steadfast in our commitment to providing our shareholders with exposure to businesses that are led by capable and aligned management teams, are not overly reliant on capital, maintain strong balance sheets for financial flexibility, and have significant exposure to industries with long-term growth potential. We firmly believe the long-term future of all of our investee companies to be bright, and although the next 12 months may see further share price volatility, we fully expect these businesses to emerge from FY24 in improved strategic and financial positions.

Lastly, I want to address a key factor that has been a significant drag to NCC's investment performance over the past 12–36 months: the exposure to very small businesses with a market capitalisation of less than $50 million. Even with the best intentions, these businesses often lack the personnel and financial resources to withstand various negative factors that can significantly impact the long-term prospects of a business such as delays, economic factors and regulatory changes, to name but a few. While they may successfully address these challenges, the time it takes to achieve a favourable outcome is often too long and the subsequent opportunity cost for NCC, too great. As a result, we will look to significantly reduce our exposure to the very smallest businesses in the market and instead, focus on businesses with a market capitalisation of approximately $100 million or more, of which the majority of the NCC Investment Portfolio currently comprises, as this is where we have historically been able to generate solid returns over the past decade.

The entire team is acutely aware of the trust you have placed in us to manage your capital and we greatly appreciate your ongoing support.

Kind regards,

Sebastian Evans

Managing Director and Chief Investment Officer
NAOS Asset Management Limited

NCC CORE INVESTMENTS

BIG RIVER INDUSTRIES LIMITED
ASX: BRI

Big River Industries Limited (BRI) is a leading manufacturer and distributor of value-added timber and building material products in Australia and New Zealand. BRI has gained scale in recent years through the acquisition of bolt-on businesses to diversify its product offering and expand its geographical network, which now sits at 26 sites. BRI operates in the commercial sector, with customers using BRI products in real estate developments (detached and multi-residential), commercial construction projects and civil construction, among others. BRI has over 9,000 active trading accounts, serviced by ~640 staff members. BRI achieved $409 million in revenue in FY22.

COG FINANCIAL SERVICES LIMITED
ASX: COG

COG Financial Services Limited (COG) is Australia's leading aggregator of finance brokers and equipment-leasing services to small and medium-sized enterprises (SMEs). COG's operations are spread across three complementary business divisions: Finance Broking & Aggregation (FB&A), Lending & Funds Management, and Novated Leasing, which service the financial needs of the SMEs nationwide. At 1HFY23, COG had ~21% market share of the Australian Asset Finance Broking market, with the COG network financing $6.7 billion in assets for SMEs in FY22. COG has been highly acquisitive in recent years, acquiring finance brokers, insurance brokers, as well as fund management and novated leasing businesses.

SAUNDERS INTERNATIONAL LIMITED
ASX: SND

Saunders International Limited (SND) has expertise in engineering and construction projects, having worked across Australia for over 70 years. Today, SND has over 400 employees, who work on projects in the Energy, Water, Power, Defence, Resource and Infrastructure sectors. The projects SND executes are of critical importance to its clients in federal/state governments and the private sector. Clients of SND include Western Sydney Airport, NSW Government (Bridges Program), BP and the Australian Defence Force.

BSA
ASX: BSA

BSA is a technical services business, with a national network of over 350 skilled employees. The core business of BSA manages close to 4,000 jobs daily across many industries, including energy, EVs and, most notably, across multiple technologies within the telecommunications industry. BSA's client base includes National Broadband Network (NBN), Vector, Intellihub and Foxtel.

MITCHCAP PTY LTD
UNLISTED

MitchCap Pty Ltd is a provider of distribution floorplan finance to Australian and New Zealand dealerships within the caravan, marine, agricultural and bicycle industries. Founded in 2019, MitchCap solves a capital-intensive pain point for equipment dealerships, through financial solutions that can improve dealer profitability and capital efficiency while also lowering risk for equipment manufacturers.

ORDERMENTUM PTY LTD

UNLISTED

Ordermentum Pty Ltd is a two-sided ordering, payments and insights platform widely used in the hospitality industry. The B2B ordering and payments platform connects hospitality venues (including cafes, restaurants, clubs and pubs) across Australia with suppliers, helping to improve business efficiencies, grow sales and drive profitability for both suppliers and venues.

ASSOCIATE GLOBAL PARTNERS LIMITED

ASX: APL

Associate Global Partners Limited is an independent, multi-boutique asset management firm. They partner with leading investment managers to provide a contemporary marketing and distribution platform that offers access to the retail, wholesale and institutional investment market in Australia. As at the end of June 2023, total Funds Under Management (FUM) was $1.239 billion. With over 40 years of combined experience across business strategy, distribution, marketing, operations and compliance, its team promotes and supports a range of strategies across multiple asset classes.

INVESTING WITH NAOS ASSET MANAGEMENT

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

NAOS takes a concentrated, long-term approach to investing and aims to work collaboratively with businesses rather than being a passive shareholder. NAOS seeks to invest in businesses with established moats and significant exposure to structural industry tailwinds, which are run by proven, aligned and transparent management teams that have a clear understanding of how to compound capital.

We look to build large investments in businesses and from time to time will seek board representation or look to appoint highly regarded independent directors. Importantly, NAOS, its Directors and staff are significant shareholders in the NAOS LICs, ensuring strong alignment with all shareholders.

NAOS is B Corp Certified. As a B Corp in the financial services industry, we are counted among businesses that are leading a global movement for an inclusive, equitable and regenerative economy.

NAOS launched its first LIC in 2013 with 400 shareholders. Today, NAOS manages approximately $300 million across three LIC vehicles and one private investment fund, for more than 7,000 shareholders.

Certified
B
Corporation

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 concentrated exposure to quality public and private emerging 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. At NAOS we seek 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 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.

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 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, which 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. The NAOS LICs benefit from a closed-end structure, which means they 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. This 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. NAOS is also B Corp certified.

CONSTRUCTIVE ENGAGEMENT

At NAOS we seek to work collaboratively with businesses and their respective management teams. We are often the largest shareholder in the businesses we invest in, and from time to time we will seek board representation either via an independent or a non-independent representative. This approach allows us to supportively engage with the boards and/or management teams of our portfolio holdings and maximise the potential for our invested capital to compound at a satisfactory rate over the long term.

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

- growth capital if/when required;
- messaging and communications;
- capital management decisions;
- company strategy;
- board composition.

OUR INVESTMENT PROCESS

INVESTMENT UNIVERSE SCREEN CRITERIA

TOTAL ASX-LISTED COMPANIES*

2,849

INVESTMENT UNIVERSE FUNNEL

COMPANY SIZE & SECURITY TYPE
Remove: ASX Top 50, <$20m market cap, ETFs

REVENUE
Remove: No Substantial Revenue

INDUSTRY
Remove: Industries in structural long-term decline and not conducive to long-term growth
ESG Negative Screen: Tobacco, Gambling, Nuclear and Uranium, Controversial Weapons, Coal Mining Operations, Oil and Gas Production and Animal Cruelty

BALANCE SHEET
Remove: Unsustainable Debt Levels

COMPANIES IN THE NAOS UNIVERSE

286

INVESTMENT CRITERIA

COMPANY

MANAGEMENT & CULTURE

- What is the management team's industry experience and what is its track record on results, integrity and transparency? ✓
- What ownership levels (shareholder alignment) does the management team have? ✓
- What is the staff turnover level and what does this say about business loyalty among employees? ✓
- What ethical standards do employees have? ✓
- Does the culture promote long-term strategic thinking even at the expense of short-term profits? ✓
- Is there a company-wide desire to be an industry leader? ✓

VALUATION, GROWTH & MARGIN OF SAFETY

- Does the company have a moat from competition (patents, assets, monopolies, uniqueness, pricing power)? ✓
- Is this company moat increasing over time? ✓
- Is the business scalable without incurring large increases in overheads? ✓
- Is the industry growing (demographic, technological, cyclical and consumer trends)? ✓
- Is there an obvious margin of safety (earnings quality, multiple, cash levels, growth runway)? ✓
- What is its free cash flow generation history and potential (capex levels, operating costs etc.)? ✓
- What is its balance sheet flexibility (cash reserves, undrawn debt, hard assets, liability obligations)? ✓
- Is the business growing organically (does it have avenues for internal growth)? ✓
- What are the trends in the company's return on invested capital (ROIC) and future potential? ✓
- Are there catalysts that can drive an increase in the share price? ✓

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

- Does the company meet the requirements of our initial ESG screening process? ✓
- Will the company be able to adequately answer our yearly ESG questionnaire? ✓

NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST

50-80

LISTED INVESTMENT COMPANY — **0–20**

ASX: NCC
NAOS EMERGING OPPORTUNITIES COMPANY LIMITED
NCC generally invests in 0–20 ASX-listed emerging companies.

*Source: Bloomberg Data June 2023.

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

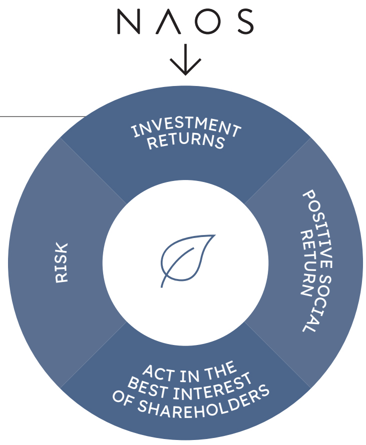
- COMPANY ANNOUNCEMENTS AND REPORTS
- PRODUCT/SERVICE SAMPLING AND TESTING
- COLD CALLING

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 & POSITIVE IMPACT ANALYSIS

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.

- TOBACCO
- GAMBLING
- NUCLEAR & URANIUM
- CONTROVERSIAL WEAPONS
- COAL MINING OPERATIONS, OIL & GAS PRODUCTION
- ANIMAL CRUELTY

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.

ENVIRONMENTAL

- Water
- Waste
- Pollution
- Biodiversity
- Deforestation
- Climate Change
- Reporting on Violations
- Greenhouse Gas Emissions
- Environmental Opportunities

SOCIAL

- Training
- Supply Chain
- Social Licence
- Human Rights
- Labour Standards
- Community Relations
- Human Capital Policy
- Employee Engagement
- Workplace Health & Safety

GOVERNANCE

- Board Quality
- Board Diversity
- Codes of Conduct
- Risk Management
- Incentive Structures
- Board Independence
- Shareholder Voting Rights
- Shareholder Concentration
- Anti-bribery and Corruption Policy
- CEO and Executive Remuneration

04 THE INCORPORATION OF ESG AND COMPANY QUESTIONNAIRE

The incorporation of ESG considerations into the investment process applies across all NAOS investments. NAOS aims to have a thorough understanding of the companies it invests in. Once invested, NAOS regularly reviews and monitors the ESG performance of its investee companies through questionnaires. The results provide valuable information and allow us to assess ESG opportunities and risks, and to assist and support our investee companies in attaining their ESG goals.

OUR INVESTEE COMPANIES AND THEIR ESG JOURNEY

BSA Limited
(ASX: BSA)

BSA completed the NAOS ESG questionnaire during FY23.

>8 YEARS

NAOS first invested

$43 MILLION

BSA's market capitalisation as at 30 June 2023

BSA is a technical services business, with a national network of more than 350 skilled employees.

KEY ACHIEVEMENTS IN FY23:

- Female employees have increased from 20% to 28% of total employees.
- All employees have access to a new Health and Wellbeing hub and an Employee Assistance Plan (EAP), which provides on-demand access to wellbeing materials, webinars, training and information.

ENVIRONMENTAL:

- Environmental risks are managed under the ISO 14001 international standard and through various Health Safety and Environment (HSE) risk registers.
- BSA completes an annual management review of its HSE policy and environmental performance.
- BSA is currently in the early stages of measuring carbon emissions and carbon footprint.
- The company has instigated an external third-party review. This will determine future commitments for the use of renewable energy.
- An internal project is currently underway to acquire ESG tracking and reporting software.
- Procedures are in place via the Hazardous Substances Management Procedure to ensure hazardous chemicals are registered and safely stored, used and handled.

SOCIAL:

- BSA continues to focus on diversity and inclusion. Four consistent key approaches include:
  - creating a workplace culture that embraces and respects diversity and inclusion;
  - addressing gender diversity in all areas of the organisation;
  - improving overall diversity recruitment; and
  - committing to a series of transparent checks and balances.
- The company is committed to continual engagement with the communities in which it works, through local training and employment opportunities, as well as Indigenous and community support through sponsorships and charity fundraisers.
- Completion of the Health and Safety Index marks the third time BSA has partnered with FEFO Consulting to complete this workforce engagement survey, which was completed in FY21, FY22 and in June FY23.
- As a primary risk to the business, various initiatives have been implemented to tackle the risk of modern slavery in its supply chain, including training for all employees at induction and a refresher course every two years thereafter.

GOVERNANCE:

- The Board has employed a third party to assess its current carbon footprint and to advise on strategies for improvement. Potential environmental incidents are required to be tabled for discussion at Board level.
- KPIs set for senior leaders nominate the diversity targets of the company.
- Equal Employment Opportunity training.
- Mental Health First Aider training.
- BSA Leave Group Standard and Parental Leave Standard implemented.

AREAS FOR IMPROVEMENT:

- Provide environmental sustainability metrics where possible. Measurement will assist with developing ESG sustainability strategies.
- The alignment of ESG/sustainability strategies and Sustainable Development Goals framework.
- The creation of an environmental section on the website or in the annual report to publicly highlight initiatives and progress.
- Evaluation and management of the risk of modern slavery to continue until all existing suppliers are graded as performing well in this area.
- A fair remuneration policy is yet to be formalised.
- Pursue a majority of independent directors for the Board and committees as a priority.

“Our commitment to Diversity & Inclusion is reflected in our company values, which are our guiding principles and essential to our success.”

(Excerpt from BSA’s FY22 Annual Report)

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 is also a non-executive director of Big River Industries Limited (ASX: BRI), BSA Limited (ASX: BSA), Saunders International Limited (ASX: SND), Wingara AG Limited (ASX: WNR), BTC health Limited (ASX: BTC) and MitchCap Pty Ltd.

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, initially 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.

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), and the NAOS Private Opportunities Fund. Robert is also a non-executive director of Ordermentum Pty Ltd.

Robert holds a Bachelor of Business from the University of Technology, Sydney, and 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 16 years' financial services experience. Most recently Jared was an investment analyst at Contact Asset Management and prior to that he 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.

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.

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 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.

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 13 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management (TSX: EFN), and also at 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.

RICHARD PREEDY
Chief Financial and Operating Officer

Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 16 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 Bachelor of Arts (Hons) in Business Management from the University of Sheffield, is a qualified chartered accountant and is a member of the Governance Institute of Australia.

ANGELA ZAMMIT
Marketing and Communications Manager

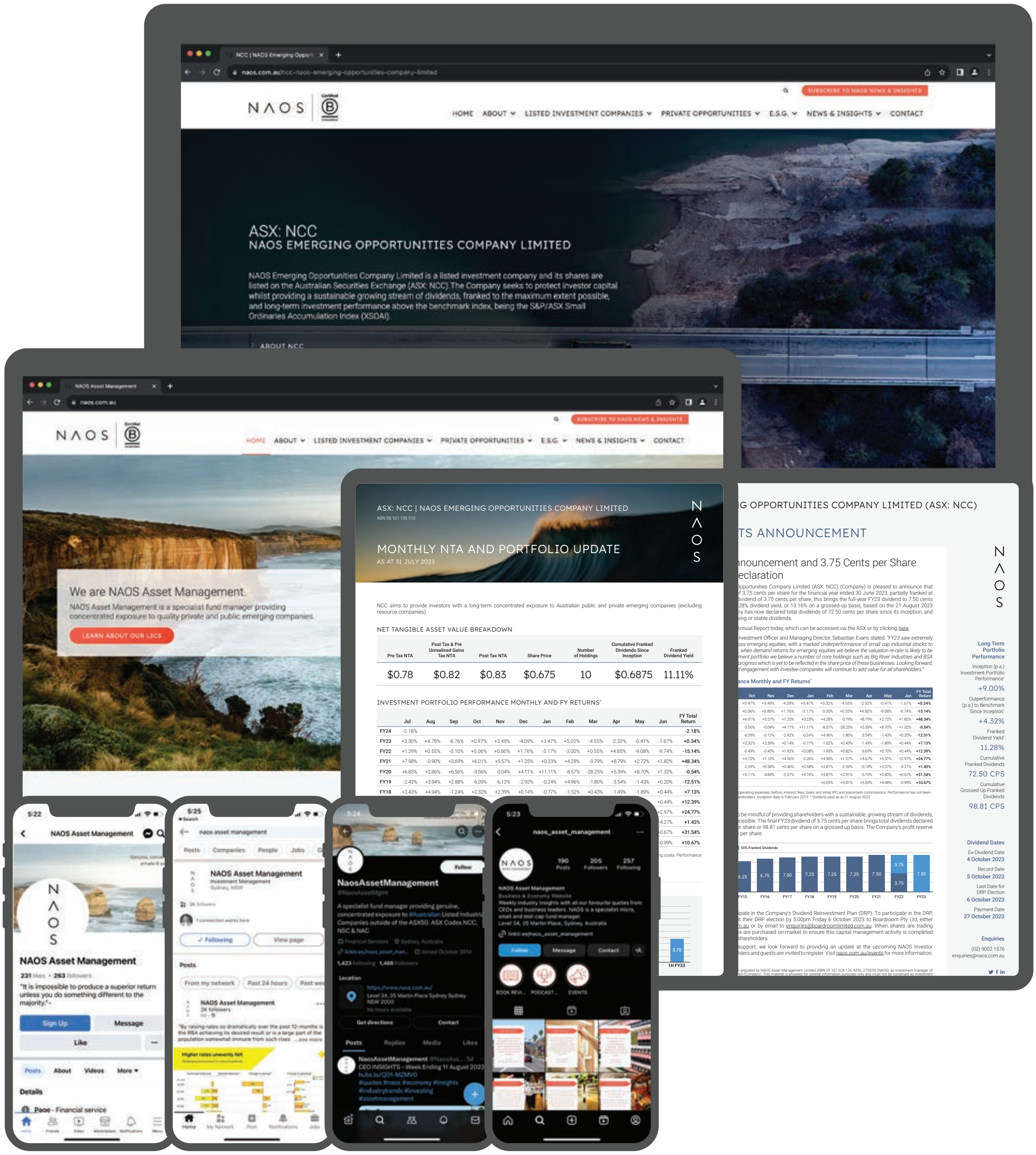
Angela joined NAOS in May 2020 in the capacity of Marketing and Communications Manager.

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.

SHAREHOLDER COMMUNICATIONS

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



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:

Greening Australia

Healthy, productive landscapes where people and nature thrive

BUSH HERITAGE AUSTRALIA

Together, we're returning the bush to good health

Royal Flying Doctor Service
CENTRAL OPERATIONS

To provide excellence in aeromedical and primary health care across Australia

Australian Kookaburra Kids Foundation

Empowering young people to thrive beyond the impacts of family 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.

CONTENTS

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 2023.

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 listed equities with the objective of providing investors with a long-term concentrated exposure to Australian emerging companies (excluding resource companies).

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
Sarah Williams (Independent Chair)	31 January 2019	31 January 2019 – present
David Rickards OAM	20 November 2012	20 November 2012 – present
Warwick Evans	6 November 2012	6 November 2012 – present
Sebastian Evans	6 November 2012	6 November 2012 – present

The qualifications and experience of each person who has been a Director of the Company at any time since 1 July 2022 are provided below.

DIRECTORS' INFORMATION

Sarah Williams – Independent Chair

Sarah Williams has been an Independent Director since January 2019, and was elected as Chair on 1 December 2022. Sarah is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), and NAOS Small Cap Opportunities Company Limited (ASX: NSC).

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 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, 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.

David Rickards OAM – Independent Director

David Rickards OAM has been an Independent Director of the Company since its inception. David is also an Independent Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and Independent Chair of NAOS Small Cap Opportunities Company Limited (ASX: NSC). 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 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).

DIRECTORS' INFORMATION (CONTINUED)

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 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.

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.

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 13 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 2023.

Year ended 30 June 2023	Eligible to attend	Attended
Sarah Williams (Chair)	11	11
David Rickards (Director)	11	11
Warwick Evans (Director)	11	11
Sebastian Evans (Director)	11	11

REVIEW OF OPERATIONS

The Company's operating loss before tax for the year ended 30 June 2023 was $1,740,753 (30 June 2022: operating loss before tax of $18,275,341), and operating loss after tax for the year was $457,087 (30 June 2022: operating loss after tax of $12,796,392). In another challenging and volatile year for emerging equities the Investment Portfolio returned +0.34% for the financial year, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which returned +8.45% for the financial year.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

The post-tax Net Tangible Asset (NTA) value per share of the Company decreased from $0.93 to $0.85 over the course of the financial year, which was mainly driven by the 7.50 cents per share dividends, franked at 50%, 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 2023 was $62,096,169 (2022: $68,024,722). Further information on the financial position of the Company is included in the Chair's letter.

DIVIDENDS PAID OR PAYABLE

Year ended 30 June 2023	Dividend (cents per share)	Total $ amount	% Franked	Date of payment
2022 final dividend (declared 18 August 2022)	3.75	2,735,733	50%	28 October 2022
2023 interim dividend (declared 23 February 2023)	3.75	2,735,733	50%	20 April 2023
		5,471,466		

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		

Since 30 June 2023, the Company has declared a final dividend of 3.75 cents per share, 50% franked, to be paid on 27 October 2023.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On 22 August 2023, the Company declared a final dividend of 3.75 cents per share, 50% franked, to be paid on 27 October 2023.

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 continue to 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 43.

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' remuneration received for the year ended 30 June 2023 and 30 June 2022 are disclosed below:

30 June 2023	Short-term employee benefits Directors fees $	Post-employment benefit superannuation $	Total $
Sarah Williams (Chair)	24,133	2,534	26,667
Warwick Evans (Director)	9,050	950	10,000
David Rickards (Director)	21,116	2,217	23,333
	54,299	**5,701**	**60,000**

30 June 2022	Short-term employee benefits Directors fees $	Post-employment benefit superannuation $	Total $
David Rickards (Chair)	31,818	3,182	35,000
Warwick Evans (Director)	9,091	909	10,000
Sarah Williams (Director)	13,636	1,364	15,000
	54,545	**5,455**	**60,000**

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Directors (Continued)

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

Interests in Shares of the Company

During the financial year ended 30 June 2023 and the year ended 30 June 2022, the relevant interests of the Directors and their related parties in the shares of the Company were:

Ordinary shares Year ended 30 June 2023	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
Sarah Williams (Chair)	16,645	1,641	–	18,286
Warwick Evans (Director)	2,703,536	–	–	2,703,536
Sebastian Evans (Director)	1,547,340	207,500	–	1,754,840
David Rickards (Director)	1,064,686	93,440	–	1,158,126

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

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.

	2023	2022	2021	2020	2019
Operating profit/(loss) after tax ($)	(457,087)	(12,796,392)	20,664,304	(597,948)	(7,507,390)
Dividends (cents per share)	7.50	7.50	7.50	7.25	7.25
Level of franking (%)	50	75	100	100	100
NTA after tax ($ per share)	0.85	0.93	1.18	0.96	1.04
Total Directors' remuneration ($)	60,000	60,000	60,000	60,000	51,250
Number of Directors	4	4	4	4	4
Shareholders' equity ($)	62,096,169	68,024,722	86,292,581	59,018,880	62,130,841

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*.

Sarah Williams

Independent Chair

22 August 2023

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

Quay Quarter Tower
Level 46, 50 Bridge Street
Sydney, NSW 2000
Australia

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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

22 August 2023

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 2023, 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

Jonathon Corbett
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

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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 2023, 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 2023 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
<u>Valuation and existence of Level 1 financial assets held at fair value through profit or loss</u> 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. As at 30 June 2023, the Company's listed equity securities held at fair value through profit or loss totaled circa $73.1million as disclosed in Notes 7 and 17. Listed equity securities are fair valued using the unadjusted last sale price quoted on the Australian Securities Exchange. Changes	Our procedures included, but were not limited to: • 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;

Deloitte.

in the fair value of the listed securities are recognised through profit or loss. 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.	• On a sample basis, agreeing the investment holdings to the external custodian's holdings statement; and • Reperforming a reconciliation of the financial assets balance for the period ended 30 June 2023, including purchases, sales, other relevant transactions. We also assessed the adequacy of the disclosures in Notes 7 and 17 to the financial statements.

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 2023 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 41 to 42 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of NAOS Emerging Opportunities Company Limited, for the year ended 30 June 2023, 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

Jonathon Corbett
Partner
Chartered Accountants

Sydney, 22 August 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Income	3	1,078,346	(15,188,338)
Expenses			
Management fees	16	(1,128,972)	(1,379,241)
Interest expense on convertible notes		(1,035,000)	(1,035,000)
Administration fees		(63,075)	(72,835)
Directors' remuneration		(60,000)	(60,000)
ASX fees		(65,867)	(64,675)
Auditor's remuneration	12	(54,800)	(49,980)
Custody fees		(46,707)	(49,601)
Registry fees		(51,250)	(58,885)
Amortisation costs		(87,421)	(87,421)
Other expenses from ordinary activities		(226,007)	(229,365)
Loss before income tax expense		**(1,740,753)**	**(18,275,341)**
Income tax benefit	4(a)	1,283,666	5,478,949
Loss for the year attributable to shareholders of the Company		**(457,087)**	**(12,796,392)**
Other comprehensive income, net of tax		–	–
Total comprehensive loss for the year attributable to shareholders of the Company		**(457,087)**	**(12,796,392)**
Basic and diluted losses per share (cents per share)	18	**(0.63)**	**(17.54)**

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 $	As at 30 June 2022 $
Assets			
Current Assets			
Cash and cash equivalents	13	2,620,530	261,536
Trade and other receivables	6	76,332	890,931
Financial assets at fair value through profit or loss	7	79,380,960	88,546,599
Total current assets		**82,077,822**	**89,699,066**
Non-current Assets			
Deferred tax assets	4(b)	3,107,036	1,823,370
Total non-current assets		**3,107,036**	**1,823,370**
Total assets		**85,184,858**	**91,522,436**
Liabilities			
Current liabilities			
Trade and other payables	8	548,309	1,044,755
Total current liabilities		**548,309**	**1,044,755**
Non-current liabilities			
Borrowings	9	22,540,380	22,452,959
Total non-current liabilities		**22,540,380**	**22,452,959**
Total liabilities		**23,088,689**	**23,497,714**
Net assets		**62,096,169**	**68,024,722**
Equity			
Issued capital	10	77,465,260	77,465,260
Profits reserve	11(a)	27,541,215	33,012,681
Accumulated losses	11(b)	(42,910,306)	(42,453,219)
Total equity		**62,096,169**	**68,024,722**

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 2023

	Issued capital $	Profits reserve $	Accumulated losses $	Total equity $
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**

	Issued capital $	Profits reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022	77,465,260	33,012,681	(42,453,219)	68,024,722
Loss for the year	–	–	(457,087)	(457,087)
Dividends paid	–	(5,471,466)	–	(5,471,466)
Purchase of shares on market for DRP	(633,256)	–	–	(633,256)
DRP shares allotted	633,256	–	–	633,256
Balance at 30 June 2023	**77,465,260**	**27,541,215**	**(42,910,306)**	**62,096,169**

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 2023

	Notes	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Cash flows from operating activities			
Payments for purchase of investments		(9,538,458)	(41,434,471)
Proceeds from sale of investments		15,724,804	44,501,170
Dividends received		4,026,997	4,269,638
Interest received		3,591	62
Income tax paid		–	(403,673)
Income tax refund		403,672	452,004
Interest paid on convertible notes		(1,029,350)	(953,059)
Management fees paid		(1,136,568)	(1,405,089)
Directors' remuneration paid		(60,000)	(60,000)
Administration and tax service fee paid		(69,975)	(85,429)
Custody fees paid		(44,724)	(46,816)
Audit fees paid		(60,783)	(53,483)
Registry fees paid		(54,005)	(57,215)
ASX fees paid		(65,867)	(64,675)
Other payments		(234,073)	(203,546)
Net cash provided by operating activities	13(b)	**7,865,261**	**4,455,418**
Cash flows from financing activities			
Dividends paid net of amounts reinvested		(4,873,011)	(4,881,533)
Purchase of shares on-market for DRP		(633,256)	(592,772)
Net cash used in financing activities		**(5,506,267)**	**(5,474,305)**
Net increase/(decrease) in cash and cash equivalents		2,358,994	(1,018,887)
Cash and cash equivalents at the beginning of the financial year		261,536	1,280,423
Cash and cash equivalents at end of year	13(a)	**2,620,530**	**261,536**

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 22 August 2023.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Receivables

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

k) Payables

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

l) Taxation

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

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

Current and deferred tax expense/(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Earnings per Share

Basic earnings per share are calculated by dividing net profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial 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 and prior period tax losses of $2,607,934 as at 30 June 2023. 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.

3. INCOME

	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Net losses on financial instruments held at fair value through profit or loss	(2,952,242)	(19,457,288)
Interest income	3,591	62
Dividend income	4,026,997	4,268,888
	1,078,346	**(15,188,338)**

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 2023 $	Year ended 30 June 2022 $
Prima facie income tax benefit calculated at 25%	(435,191)	(4,568,835)
Less the tax effect of:		
Imputation credit gross up	419,857	453,921
Franking credit offset	(1,679,426)	(1,815,684)
Non-deductible amounts	405,169	417,961
Impact of change in tax rate	–	33,688
Prior year under provision	5,925	–
	(1,283,666)	**(5,478,949)**
Effective tax rate	74%	30%

The Company assessed that it is a base rate entity for the year ended 30 June 2023 and hence the reduced company tax rate of 25% is applied to all income tax related balances.

	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Change in deferred tax liabilities	–	(4,570,373)
Change in deferred tax assets	(1,283,666)	(908,576)
	(1,283,666)	**(5,478,949)**

b) Deferred tax assets

	As at 30 June 2023 $	As at 30 June 2022 $
Unrealised losses on investments	382,350	1,276,119
Tax losses	2,607,934	383,410
Accruals	14,363	17,312
Capitalised share issue and convertible note issue costs	102,389	146,529
	3,107,036	**1,823,370**

Movement in deferred tax assets	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Balance at the beginning of the period	1,823,370	914,793
(Charged)/credited to the Statement of Profit or Loss and Other Comprehensive Income	(896,718)	1,274,861
Tax losses	2,224,524	(473,921)
Capitalised share issue and convertible note issue costs	(44,140)	107,637
At reporting date	**3,107,036**	**1,823,370**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX (CONTINUED)

c) Deferred tax liabilities

Temporary differences in relation to:	As at 30 June 2023 $	As at 30 June 2022 $
Unrealised gains on investments	–	–

Movement in deferred tax liabilities	Year ended 30 June 2023 $	Year ended 30 June 2022 $
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)
At reporting date	**–**	**–**

5. DIVIDENDS PAID AND PAYABLE

Year ended 30 June 2023	Dividend (cents per share)	Total $ amount	% Franked	Date of payment
2022 final dividend (declared 18 August 2022)	3.75	2,735,733	50%	28 October 2022
2023 interim dividend (declared 23 February 2023)	3.75	2,735,733	50%	20 April 2023
		5,471,466		

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		

Dividends payable as at 30 June 2023 were $65,047 (2022: $99,848).

Dividend Franking Information

	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Franking credits available for shareholders from previous financial periods	62,571	119,094
Impact on the franking account of dividends paid during the period	(911,914)	(1,823,826)
Impact on the franking account of dividends received during the period	1,679,426	1,815,684
Impact on franking account of income tax paid during the year	–	403,673
Impact on franking account of income tax refunded during the year	(403,672)	(452,054)
Franking account balance at reporting date	**426,411**	**62,571**

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 2023 $	As at 30 June 2022 $
GST receivable	30,690	38,058
Unsettled trade receivables	1,165	398,360
Prepayments	44,477	50,840
Income tax receivable	–	403,673
	76,332	**890,931**

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 (2022: nil).

7. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial assets at Fair Value through Profit or Loss

	As at 30 June 2023 $	As at 30 June 2022 $
Investments in listed equities	73,091,958	85,677,831
Investments in listed options	44,806	342,408
Investments in unlisted equities	6,244,196	2,500,000
Investments in unlisted options	–	26,360
	79,380,960	**88,546,599**

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 2023 (2022: nil).

Disclosed fair values

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

8. TRADE AND OTHER PAYABLES

	As at 30 June 2023 $	As at 30 June 2022 $
Auditors' remuneration payable	21,552	27,355
Management fees payable	93,893	101,489
Unsettled trades payable	34,773	459,030
Dividend payable	65,047	99,848
Interest payable on convertible notes	280,217	300,284
Other payables	52,827	56,749
Total	**548,309**	**1,044,755**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2023, a total of $280,217 in interest is payable.

	As at 30 June 2023 $	As at 30 June 2022 $
Opening balance of convertible notes	22,452,959	22,365,538
Add amortisation of costs for the period	87,421	87,421
At reporting date	**22,540,380**	**22,452,959**

10. ISSUED CAPITAL

	30 June 2023		30 June 2022	
	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 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**
Opening balance 1 July 2022	72,952,814	77,465,260
DRP shares allotted	812,090	633,256
Purchase of shares on-market for DRP	(812,090)	(633,256)
Closing balance 30 June 2023	**72,952,814**	**77,465,260**

11. PROFITS RESERVE AND ACCUMULATED LOSSES

a) Profits Reserve

	30 June 2023 $	30 June 2022 $
Balance at the beginning of the year	33,012,681	34,991,286
Transfer to profits reserve	–	3,492,862
Dividends paid	(5,471,466)	(5,471,467)
Balance at reporting date	**27,541,215**	**33,012,681**

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 2023 $	30 June 2022 $
Balance at the beginning of the year	(42,453,219)	(26,163,965)
Transfer to profits reserve	–	(3,492,862)
Loss for the year attributable to members of the Company	(457,087)	(12,796,392)
Balance at reporting date	**(42,910,306)**	**(42,453,219)**

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 2023 $	Year ended 30 June 2022 $
Audit and other assurance services – Deloitte Touche Tohmatsu		
Audit and review of financial reports	50,000	49,980
Total remuneration for audit and other assurance services	**50,000**	**49,980**
Taxation Services		
Tax compliance services	4,800	4,500
Total remuneration for non-audit services	**4,800**	**4,500**
Total remuneration	**54,800**	**54,480**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	As at 30 June 2023 $	As at 30 June 2022 $
Cash at bank	2,620,530	261,536

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

	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Loss for the year attributable to shareholders after tax	(457,087)	(12,796,392)
Adjustments for:		
Change in value of financial assets designated at fair value through profit or loss	9,165,639	22,503,671
Income tax benefit recognised in the Statement of Profit or Loss and Other Comprehensive Income	(1,283,676)	(5,478,949)
Income tax paid	–	(403,673)
Income tax received	403,672	452,044
Amortisation expense on convertible notes	87,421	87,421
Change in assets and liabilities:		
Increase/(decrease) in trade and other receivables	410,925	(335,849)
(Decrease)/increase in trade and other payables	(461,633)	427,145
Net cash provided by operating activities	**7,865,261**	**4,455,418**

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 2023 was $60,000 (2022: $60,000).

There were no shares granted during the reporting period as compensation to the Directors (2022: 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 2023, NAOS Asset Management Limited holds 1,007,350 shares (1.38%) (2022: 1,007,350 shares (1.38%)) 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 2023	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
Sarah Williams (Chair)	16,645	1,641	–	18,286
Warwick Evans (Director)	2,703,536	–	–	2,703,536
Sebastian Evans (Director)	1,547,340	207,500	–	1,754,840
David Rickards (Director)	1,064,686	93,440	–	1,158,126

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

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 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.

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 2023:

- Management fees of $1,128,972 (2022: $1,379,241) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2023 were $93,893 (2022: $101,489) (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 (XSOAI)), the Company must pay the Investment Manager a performance fee equal to 20% (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 2023 (2022: $nil).

In addition, for the year ended 30 June 2023 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 (2022: $89,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 tradeable 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.

17. FINANCIAL RISK MANAGEMENT(CONTINUED)

b) Market Risk (Continued)

(i) Interest Rate Risk (Continued)

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

30 June 2023	Floating interest rate $	Non-interest bearing $	Total $
Assets			
Cash and cash equivalents	2,620,530	–	2,620,530
Trade and other receivables	–	76,332	76,332
Financial assets at fair value through profit or loss	–	79,380,960	79,380,960
Total Assets	**2,620,530**	**79,457,292**	**82,077,822**
Liabilities			
Trade and other payables	–	548,309	548,309
Total Liabilities	**–**	**548,309**	**548,309**
Net exposure	**2,620,530**	**78,908,983**	**81,529,513**

30 June 2022	Floating interest rate $	Non-interest bearing $	Total $
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**

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.

	Change in basis points increase/(decrease)	Impact on operating profit/ Net assets attributable to shareholders ($)
30 June 2023		
AUD interest rate	250bps/(250bps)	65,513/(65,513)
30 June 2022		
AUD interest rate	250bps/(250bps)	6,538/(6,538)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISK MANAGEMENT(CONTINUED)

b) Market Risk (Continued)

(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.

As at 30 June 2023 and 30 June 2022 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 2023	(7,938,096)	7,938,096
30 June 2022	(8,854,660)	8,854,660

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

	% of Portfolio	
Industry	**30 June 2023**	**30 June 2022**
Industrials	34.10%	29.57%
Financials	26.60%	34.25%
Construction Materials	26.10%	19.04%
Information Technology	5.20%	1.61%
Commercial & Professional Services	2.80%	4.38%
Health care	2.60%	3.98%
Agriculture	2.60%	4.16%
Travel & Leisure	0.00%	3.01%
	100.00%	**100.00%**

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 tradeable 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 2023 and 30 June 2022 to the contractual maturity date.

30 June 2023	**Less than 1 year** **$**	**>1 year to 5 years** **$**	**5+ years** **$**	**Total** **$**	**Carrying amount** **$**
Trade and other payables	548,309	–	–	548,309	548,309
Borrowings	–	–	23,000,000	23,000,000	22,540,380
Total	**548,309**	**–**	**23,000,000**	**23,548,309**	**23,088,689**

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk (Continued)

30 June 2022	Less than 1 year $	>1 year to 5 years $	5+ years $	Total $	Carrying amount $
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**

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.

As at 30 June 2023, the Company had $6,244,196 (2022: $2,500,000) financial assets held at fair value through profit or loss included in level 3. The unlisted investments in MitchCap Pty Ltd and Ordermentum Pty Ltd are categorised as level 3 given that they are not traded in an active market.

The price of these level 3 unlisted positions have been determined using unobservable inputs that were not developed internally by the Company, in this case, the cost of the investment or the price of a recent capital raising. A change of +/– 10% in these unobservable inputs would result in a change of +/– $624,420 in the fair value of these investments as at 30 June 2023.

The following table presents the Company's financial assets and liabilities measured and recognised at fair value at 30 June 2023.

30 June 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets	73,136,764	–	6,244,196	79,380,960
Total	**73,136,764**	**–**	**6,244,196**	**79,380,960**

30 June 2022	Level 1 $	Level 2 $	Level 3 $	Total $
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISK MANAGEMENT(CONTINUED)

d) Fair Value Hierarchy (Continued)

Reconciliation of level 3 fair values

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

	30 June 2023 $	30 June 2022 $
Opening balance	2,500,000	–
Purchases	3,300,000	2,500,000
Unrealised gain/(loss) on financial instruments held at fair value through profit or loss	444,196	–
Closing balance	**6,244,196**	**2,500,000**
Total gains/(losses) on level 3 financial assets	**444,196**	**–**

e) Capital Management

The Company's objectives for managing capital are:

- to maximise returns to shareholders over the long term 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, 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 2023 cents	Year ended 30 June 2022 cents
Basic and diluted (loss)/earnings per share	(0.63)	(17.54)

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

	$	$
Net loss used in the calculation of basic and diluted (loss)/earnings per share	(457,087)	(12,796,392)

19. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2023 (2022: $nil).

20. SUBSEQUENT EVENTS

On 22 August 2023 the Company declared a final dividend of 3.75 cents per share, 50% franked, to be paid on 27 October 2023.

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 2023;
- 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

Sarah Williams
Independent Chair

22 August 2023

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 2023 the Company held the following investments:

Listed Investments	Future First Technologies Limited
Associate Global Partners Limited	Saunders International Limited
Big River Industries Limited	Supply Network Limited
BTC Health Limited	Wingara AG Limited
BSA Limited	**Unlisted Investments**
BSA Limited Listed Options	MitchCap Pty Ltd
COG Financial Services Limited	Ordermentum Pty Ltd

During the financial year ended 30 June 2023, the Company had 269 (2022: 550) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2023 were $80,871 (2022: $344,213).

20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2023.

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	1,605,975	2.20%
Myall Resources Pty Ltd	1,229,588	1.69%
Patolo Pty Ltd	1,088,050	1.49%
IR & JB Investments Pty Ltd	1,034,258	1.42%
NAOS Asset Management Limited	1,007,350	1.38%
Patagorang Superannuation Pty Ltd	826,559	1.13%
W W E Investments Pty Ltd	641,098	0.88%
Netwealth Investments Limited	638,249	0.87%
Tilt Consulting Pty Ltd	552,235	0.76%
Angus Mac Pty Ltd	520,804	0.71%
Hidiga Pty Ltd	471,522	0.65%
Burtoh Ventures Pty Ltd	411,329	0.56%
Woodduck Pty Ltd	400,000	0.55%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	384,329	0.53%
Vasnan Pty Ltd	376,019	0.52%
Thrifty Pigs Pty Limited	351,000	0.48%
Mr William Blomfield	350,000	0.48%
Raystall Pty Ltd	331,250	0.45%
Total	**16,693,082**	**22.88%**

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2023.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1–1,000	254	139,744	0.19%
1,001–5,000	578	1,719,699	2.36%
5,001–10,000	347	2,714,696	3.72%
10,001–100,000	1,138	37,446,659	51.33%
100,001 and over	107	30,932,016	42.40%
Total	**2,424**	**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 2023.

Convertible note holders	Convertible notes held	% of issued convertible notes
Mutual Trust Pty Ltd	14,111	6.14%
J.P. Morgan Nominees Australia Pty Limited	14,020	6.10%
KST Group Pty Ltd	9,500	4.13%
HSBC Custody Nominees (Australia) Limited	8,553	3.72%
Davft Pty Ltd	7,000	3.04%
Perpetual Corporate Trust Ltd	5,301	2.30%
VCM Investments Pty Ltd	5,138	2.23%
Riseley Family Investments Pty Ltd	5,000	2.17%
Press Form Holdings Pty Ltd	4,980	2.17%
Securities and Estates Pty Ltd	4,800	2.09%
VCM Investments Pty Ltd	3,934	1.71%
ACN 101 162 056 Pty Ltd	3,700	1.61%
The Friends School D/F Inc	3,445	1.50%
Vantage Capital Management Pty Ltd	3,100	1.35%
Netwealth Investments Limited	3,098	1.35%
Mr Milton Yannis	3,000	1.30%
G Chan Pension Pty Ltd	3,000	1.30%
Apis Holdings Pty Ltd	2,920	1.27%
Dr Graeme Peter Dorahy & Mrs Jean Elizabeth Dorahy	2,679	1.16%
Gerard McCluskey Pty Ltd	2,500	1.09%
Total	**109,779**	**47.73%**

ADDITIONAL INFORMATION (CONTINUED)

DISTRIBUTION OF CONVERTIBLE NOTES

Analysis of convertible notes by size of convertible note holders as at 31 July 2023.

Category	Number of convertible note holders	Convertible notes held	% of issued notes
1–1,000	269	72,473	31.51%
1,001–5,000	41	93,904	40.83%
5,001–10,000	5	35,492	15.43%
10,001–100,000	2	28,131	12.23%
100,001 and over	–	–	–
Total	**317**	**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 2023, the number of shareholdings held in less than marketable parcels was 79.

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

COMPANY SECRETARY
Sebastian Evans
Rajiv Sharma

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