

NAOS SMALL CAP
OPPORTUNITIES
COMPANY LIMITED

(ASX: NSC)
ABN 47 107 617 381



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NAOS Small Cap Opportunities Company Limited

ASX Code: NSC ACN: 107 617 381

Appendix 4E | Results for Announcement to the Market

Results Announcement for the year ended 30 June 2023

All comparisons are to the year ended 30 June 2022

	\$'000	up/down	% change
Revenue from ordinary activities	5,236	up	120%
Profit from ordinary activities before tax attributable to shareholders	563	up	102%
Profit from ordinary activities after tax attributable to shareholders	2,610	up	113%
Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2023 Final quarterly dividend	1.25c	1.25c	30%
2023 First quarterly dividend	1.25c	1.25c	30%
2023 Second quarterly dividend	1.25c	1.25c	30%
2023 Third quarterly dividend	1.25c	1.25c	30%
Final Quarterly Dividend Dates			
Ex-dividend date			6 September 2023
Record date			7 September 2023
Last date for DRP election			8 September 2023
Payment date			27 September 2023
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended fully franked final quarterly dividend of 1.25 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		0.81	0.84
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.			

NAOS

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NAOS SMALL CAP OPPORTUNITIES
COMPANY LIMITED

ANNUAL REPORT 2023

ACN 107 617 381

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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 Small Cap Opportunities Company Limited advises that its Annual General Meeting (AGM) will be held at 12.00 pm (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 QUARTERLY DIVIDEND DATES

Ex-Dividend Date:

Wednesday 6 September 2023

Record Date:

Thursday 7 September 2023

Last Date for DRP Election:

Friday 8 September 2023

Payment Date:

Wednesday 27 September 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 SMALL CAP OPPORTUNITIES COMPANY LIMITED

NAOS Small Cap Opportunities Company Limited (ASX: NSC) seeks to provide long-term concentrated exposure to Australian 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

5.0 cps

Fully Franked FY23 Dividend

7.35%

Fully Franked FY23 Dividend Yield

\$2.6 million

FY23 Net Profit After Tax

+6.35% p.a.

3-Year Investment Portfolio Outperformance to Benchmark

KEY METRICS AS AT 30 JUNE 2023

Pre-tax Net Tangible Assets per Share

\$0.80

Post-tax Net Tangible Assets per Share

\$0.81

Fully Franked FY23 Dividend (cents per share)

5.0 cents

Fully Franked Dividend Yield

7.35%

Share Price

\$0.68

Shares on Issue

137,882,856

Option Price (ASX: NSCOA)

\$0.002

Options on Issue

50,874,164

Directors' Shareholding (number of shares)

2,547,919

Profits Reserve (cents per share)

17.1 cents

INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2023

	NSC Investment Portfolio Performance*	S&P/ASX Small Ordinaries Accumulation Index	Performance Relative to Benchmark
1 Year	+2.62%	+8.45%	-5.83%
2 Years (p.a.)	-6.46%	-6.58%	+0.12%
3 Years (p.a.)	+11.51%	+5.16%	+6.35%
5 Years (p.a.)	+4.28%	+2.25%	+2.03%
Inception (p.a.)	+3.18%	+3.44%	-0.26%
Inception (Total Return)	+19.07%	+20.76%	-1.69%

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

BOARD OF DIRECTORS



DAVID RICKARDS OAM

Independent Chair

David Rickards OAM has been an Independent Director of the Company since 28 February 2018, and was elected Chair of the Company on 10 November 2022. David is also an Independent Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC). 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).



SEBASTIAN EVANS

Director

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

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



SARAH WILLIAMS

Independent Director

Sarah Williams was appointed as an Independent Director of the Company on 25 August 2022. Sarah is also an Independent Director and Chair of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC).

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.



TREVOR CARROLL

Independent Director

Trevor Carroll has been a Director of the Company since 27 March 2017. Trevor was formerly Australia and New Zealand CEO of Electrolux and New Zealand CEO of Electrolux Home Products. With over 30 years' experience in consumer-focused product strategy, brand marketing, and manufacturing, Trevor's experience extends to membership of the Electrolux Global Product Council, which is responsible for product development worldwide. Following retirement as CEO, Trevor undertook a role in Shanghai, advising Electrolux China on product strategy. In recent years, Trevor has been a director of The Good Guys, Fusion Retail Brands, Big Sister Food Group, and Crane Group.

He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008.

Trevor holds a Bachelor of Commerce from Canterbury University (NZ).



WARWICK EVANS

Director

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

Warwick has over 35 years of equity market experience, most notably as Managing Director of 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

DAVID RICKARDS OAM
Independent Chair

Dear fellow shareholders,

On behalf of the Board, welcome to the Annual Report of NAOS Small Cap 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.

FY23 saw another year with a bifurcation in returns within differing segments of the financial markets. The smaller end of the equities market recovered from a brutal FY22, with the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) advancing +8.45% in FY23; however, it lagged the larger end of the Australian equities market. The S&P/ASX 200 Accumulation Index (XJOAI) lifted +14.78% for the financial year, and perhaps even more surprisingly, the Nasdaq Composite Index rose +25.02% in FY23. This was against a backdrop of continued central bank interest rate increases, with the majority of market commentary at the beginning of FY23 anticipating a rough period for high-valuation technology stocks within the Nasdaq Index, given the 'risk-free rate' was increasing substantially. Against this backdrop, the NSC Investment Portfolio increased +2.62% for the financial year.

Throughout this period, the Company remained focused on its investment philosophy, which is to provide concentrated exposure to quality emerging companies with aligned management teams that are operating with industry tailwinds.

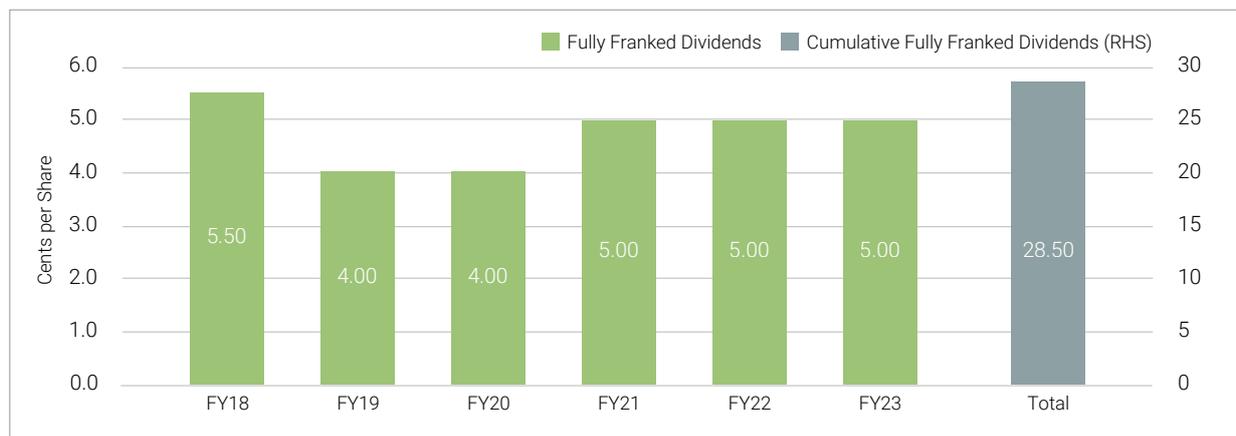
For the financial year ending 30 June 2023, the Company recorded an after-tax profit of \$2.61 million (FY22: after-tax loss of \$19.8 million). I am pleased to announce the Board has declared a fully franked final quarterly dividend of 1.25 cents per share, bringing the full-year FY23 dividend to 5.0 cents per share, and maintaining the dividend level of the previous year. This represents a 7.35% net yield, based on the 30 June 2023 closing share price of \$0.68. The Company has now declared a total of 28.50 cents per share of dividends since its inception in December 2017, all of which have been fully franked.

The Board continues to be mindful of providing shareholders with a sustainable, growing stream of dividends, franked to the maximum extent possible, while also maintaining sufficient profit reserves to enable the Company to pay dividends in periods when it is more difficult to generate significant performance. The profit reserve balance of the Company at year end was \$23.54 million, or 17.1 cents per share.

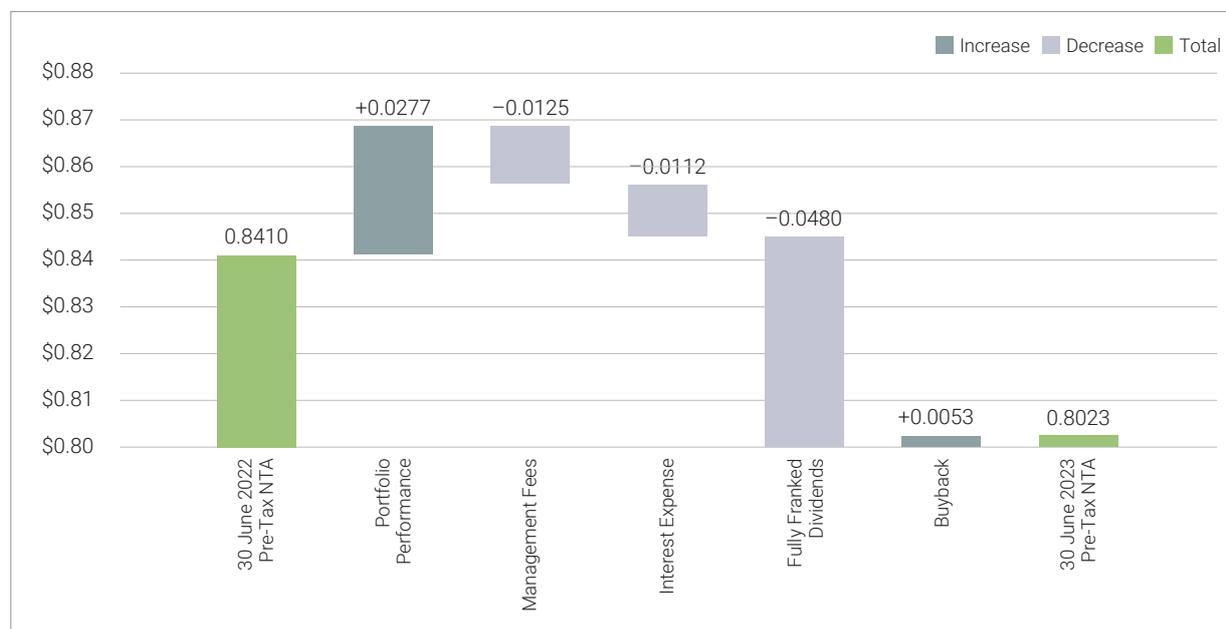
“The Board has declared a fully franked final quarterly dividend of 1.25 cents per share, bringing the full-year FY23 dividend to 5.0 cents per share.”

Over the course of the financial year, the pre-tax Net Tangible Asset (NTA) backing per share of the Company decreased from \$0.84 to \$0.80. The positive Investment Portfolio performance increased NTA per share by 2.77 cents per share, whilst 4.80 cents per share of fully franked dividends were paid to shareholders during the year. Management fees and interest expense on borrowings decreased the NTA by 1.25 cents per share and 1.12 cents per share respectively. The buyback of shares at a discount to NTA was a positive contributor, adding 0.53 cents per share to the NTA.

NSC Fully Franked Dividend History



NSC Pre-Tax NTA Performance



The FY23 Total Shareholder Return (TSR), which measures the change in share price along with dividends paid to shareholders during the period, was -0.33% . This measure does not include the benefit of franking credits received by shareholders through franked dividends. The NSC share price closed the financial year at \$0.68, which represented a discount to pre-tax NTA of 15.0% .

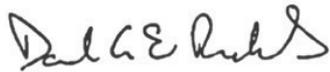
The Board continues to be committed to closing this discount, through several initiatives:

- On-market Share Buyback:** The Company continued its active share buyback program in FY23, acquiring and cancelling 5.8 million shares in FY23, which has been accretive for all shareholders. The Directors believe a share buyback program is a vital part of capital management strategy to maximise value for all shareholders over the long term. When shares are trading below NTA, it allows shares to be acquired not only at a discount to the current NTA of the Company, but also at what may prove to be a further discount to the potential future value of the investee companies.
- 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. As an 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 dilution for existing shareholders.

- Differentiated and Consistent Investment Strategy:** The Company will be true-to-label to 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 highly differentiated to most other investment strategies, with little scope for it to be replicated.
- Alignment:** The Directors have increased their ownership of NSC shares 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 2.55 million NSC 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.
- 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 insights and news, as well as an Annual Investor Roadshow.

While the current macro environment may continue to prove challenging for small-cap 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.

A handwritten signature in black ink, appearing to read "David Rickards". The signature is fluid and cursive, with a large initial 'D' and 'R'.

David Rickards OAM

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 NSC Investment Portfolio returned +2.62%, 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 +3.18% p.a. over the past 5 years and 7 months.

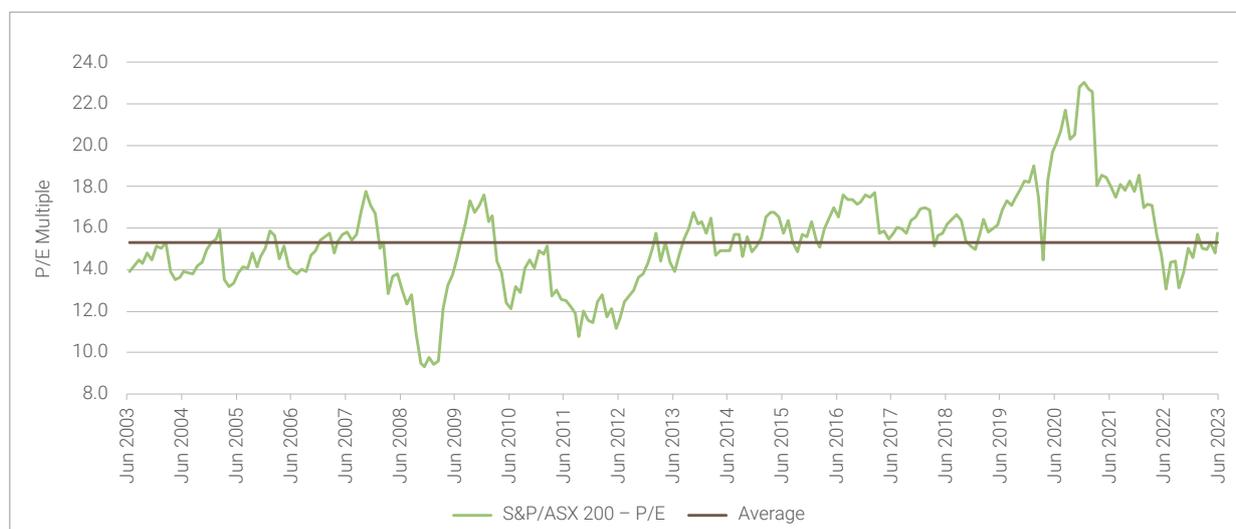
WAS IT REALLY TRANSITORY?

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.

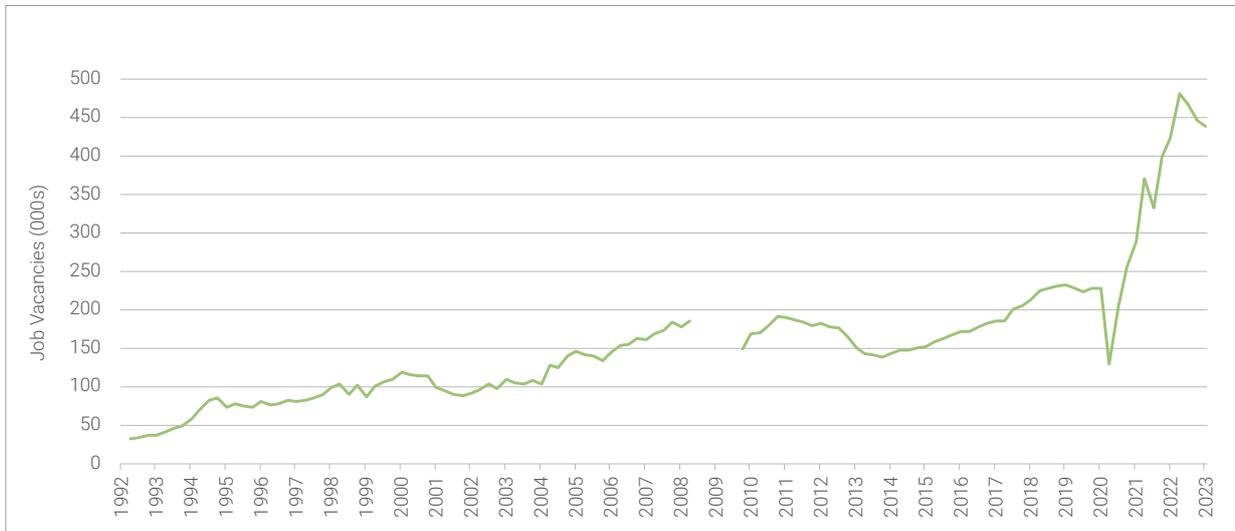
Over the last 12 months, interest rate rises and inflationary pressures have continued to generate the most headlines, and their impact has extended into the wider economy, with the effects keenly felt by the consumer, businesses and asset prices. Labour shortages also continue to be a significant challenge 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 two following graphs highlight how depressed the

opportunity set currently is within emerging companies. The first chart 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 ~40% on a peak-to-trough analysis, or by 15% over the three-year period.

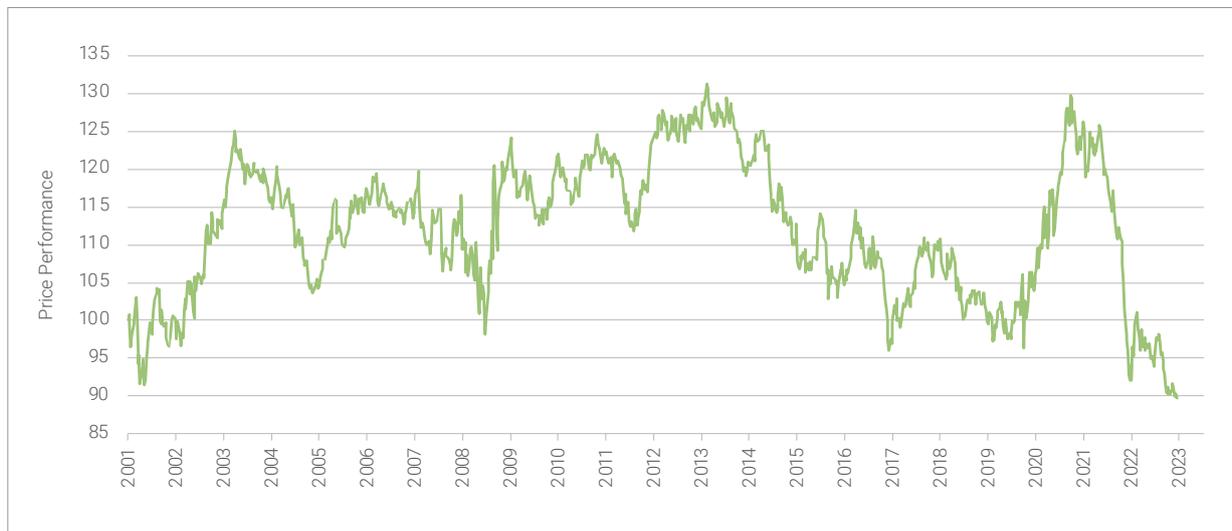
"Price movements can often be indiscriminate, but one thing the share price movements of emerging businesses taught us during both the GFC and the COVID-19 pandemic, was that investing in quality, proven and well-funded businesses during such times can yield fantastic returns."

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) 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 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 has yielded 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.

MOVE Logistics CEO Appointment

In early CY23, Craig Evans was appointed CEO of MOVE Logistics (ASX/NZX: MOV), filling a role that had been vacant since July 2021. We strongly believe Craig’s appointment will play a pivotal role in MOVE’s potential success as a highly profitable and efficient business. Craig Evans had an impressive 34-year tenure at Mainfreight (NZX: MFT), starting in 1987 as a branch manager and eventually being appointed New Zealand country manager in 2015. When Craig announced his retirement from MFT, this excerpt from the MFT Team Newsletter praised his contribution with the following statement:

“Craig Evans, a legend of our business, has announced his intention to finish in the New Year, after 34 years of service with Mainfreight. Craig has played a key role for us across many and various leadership roles, of late leading our New Zealand team. During this time, the business has developed tremendously and is achieving record levels of growth and profitability. Our network intensity and customer reach has increased, with many new facilities built under his guidance.”

Over his six-year tenure as country manager, this division of MFT grew from a revenue base of \$563 million with EBITDA of \$78 million, to a revenue base of \$1.13 billion with a PBT of \$137 million (which we estimate implies an EBITDA of ~\$165 million). While we acknowledge no individual alone can determine the fate of a business, we believe Craig is exceptionally qualified to lead the MOVE business.

Craig’s appointment builds on the complete overhaul of the MOVE executive team which consists of more than 10 executives with prior experience with the likes of Mainfreight, Toll Holdings and Linfox.

Given that Craig joined MOVE in the second half of the financial year, tangible progress in terms of strategy and financial results for FY23 is yet to be seen by investors. However, we have confidence that Craig and his team will develop a strategic plan that maximises MOVE’s potential for all stakeholders. The details of this plan are expected to be made public early in FY24, providing the market with insight into the growth opportunities and potential improvements in both profit margins and revenue profile for the business.

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, who 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.

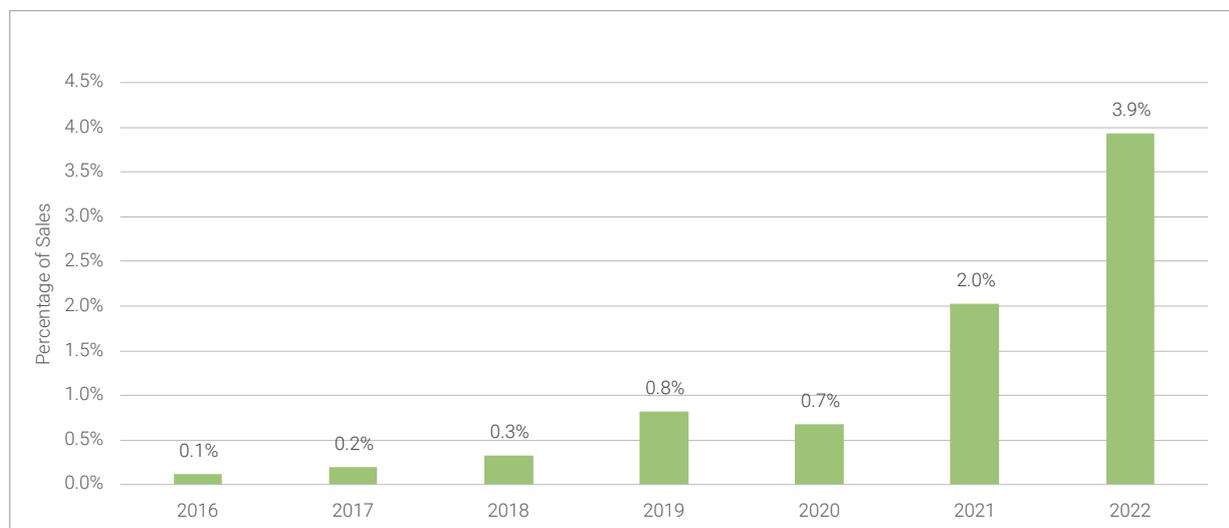
MaxiPARTS' Acquisition of Forch Australia

Despite being a standalone business for just two years post the divestment of its trailer business in 2021, MaxiPARTS (ASX: MXI) has hit the ground running on the acquisition front. It started with the acquisition of Truckzone in FY22, and was followed by the recent acquisition of Forch Australia, a distributor of workshop consumables, in March 2023.

While the estimated EBITDA of \$2.5 million from the Forch acquisition may not be a transformative deal on its own, it is worth noting that over 80% of the current EBITDA is generated in a single state, Western Australia. As such, we believe there is the potential for significant EBITDA growth as the business expands into other states such as New South Wales and Victoria. We believe there is only a single meaningful competitor to Forch: the Germany-based Würth Group. Based on the public information we could source, this business recorded >\$175 million of revenue in CY22, highlighting the opportunity that MXI has with this recent acquisition.

Although MXI may not appear to be a business that has significant earnings growth potential given it is not operating in a high-growth industry, we continue to believe that in a few years' time, the company has the potential to organically generate EBITDA of ~\$35 million, a significant increase on the ~\$14 million it generated in FY22. We also expect MXI to have numerous capital management options, as the business should be in a significant net cash position in the next 12–18 months.

Electric Vehicles as Percentage of Total Vehicle Sales



Source: Statista

FY23 NOTABLE INVESTMENT PORTFOLIO CONTRIBUTORS AND DETRACTORS

CONTRIBUTORS

Big River Industries (ASX: BRI)

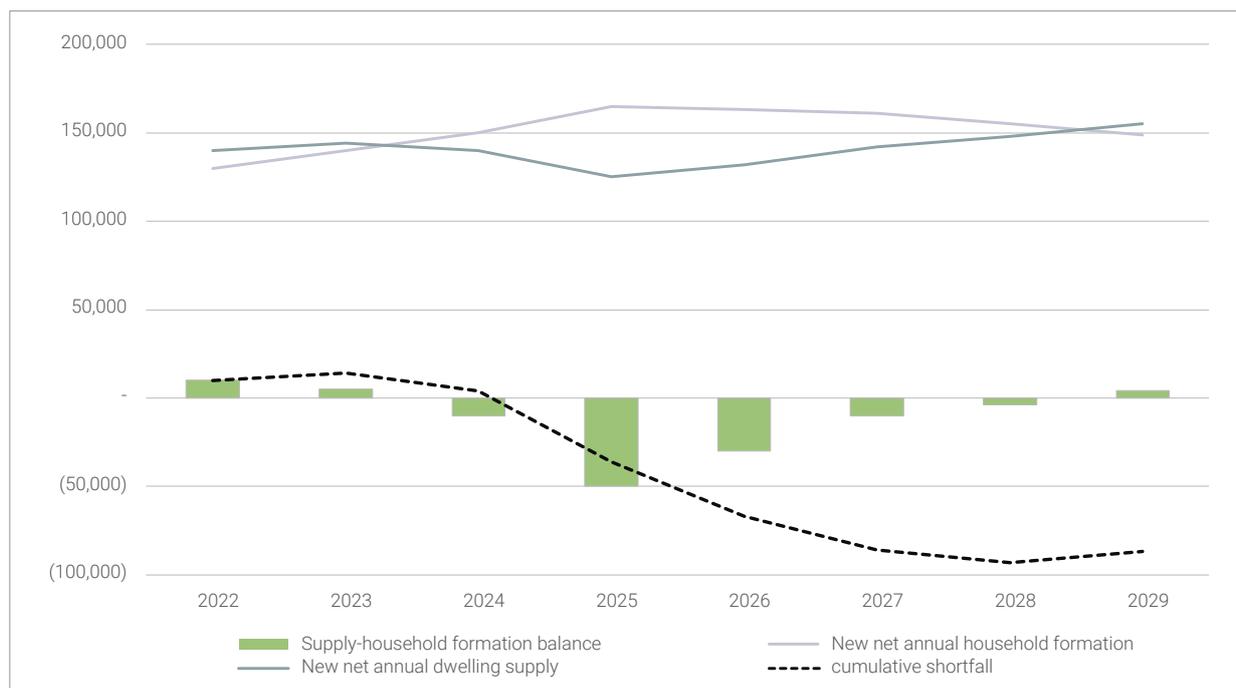
BRI has been a fixture in the NSC Investment Portfolio since its inception almost six years ago. At the time of our investment, BRI was a business with revenue of \$120 million and less than \$9 million of EBITDA, operating across nine sites. Based on FY23 market expectations, revenue is expected to 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 caused by 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).

“This housing shortage is forecast to remain for the next decade, thus providing a significant tailwind for both BRI and the broader construction industry.”

Estimated Supply & Demand Balance – Total Dwellings Australia



Source: HIA

MaxiPARTS (ASX: MXI)

As mentioned in the above section, MXI's management has not wasted any time as a standalone business and is laser-focused on maximising the growth potential of the business over the next 3–5 years. In FY23, MXI shares re-rated in a moderate manner, driven by a strong HY result followed by the acquisition of Forch Australia.

From an industry point of view, Australia has one of the oldest truck fleets globally, with the average age of a heavy truck at 16.3 years compared to the European Union (14.2 years), United States (14.5 years) and United Kingdom (7.6 years). While supply chain issues are still affecting the manufacturing and delivery of new trucks to Australia, trucks are being used for longer rather than being retired, and are also being used more, with the number of kilometres increasing steadily since 1985.

Similar to Big River Industries, we believe MXI will demand a significant valuation re-rate as the business demonstrates its ability to scale in a highly profitable manner. Unlike BRI, MXI fortunately has a clear comparable from a valuation perspective, in the form of direct competitor, Supply Network Limited (ASX: SNL). SNL is a business of similar size but with a long history of delivering outsized returns to shareholders in a capital-efficient manner. Currently, SNL trades on a P/E multiple of approximately 22 times, which we consider reasonable for a business of SNL's calibre, but it is a valuation multiple that we believe, based on consensus, estimates to be over 50% above that of MXI's.

DETRACTORS

Eureka Group Holdings (ASX: EGH)

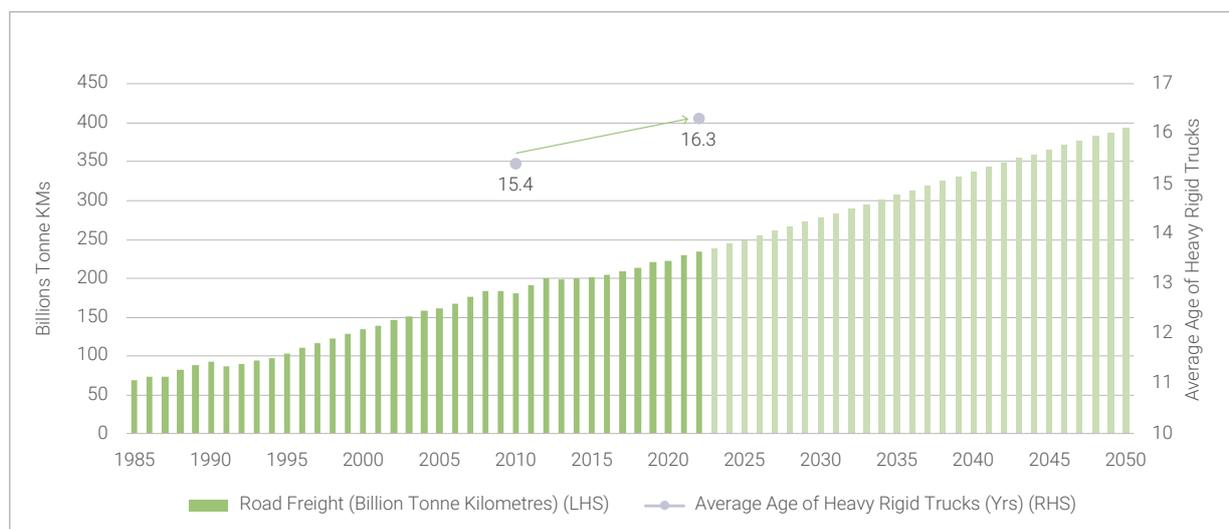
In the case of EGH, the warning signs were apparent in FY22, and things worsened in FY23 as margins were eroded when interest costs were not adequately hedged, and the business then completed an equity raising to deleverage the balance sheet and embark on greenfield expansions. As we stated in a number of our previous investor communications, we lost confidence in management's ability to consistently grow earnings in an accretive manner, and we would argue a lack of transparency and an unsatisfactory capital management strategy has resulted in a poor earnings per share (EPS) profile over the past few years. In our view, a significant opportunity cost existed and as such, we exited our investment and reinvested the funds into other investment opportunities we believed could compound our capital at a higher rate.

MOVE Logistics Group (ASX/NZX: MOV)

While our hopes for MOVE remain high, it is evident the old adage is true: turnarounds always take twice as long and are twice as expensive to implement successfully. These challenges have been compounded by issues in the New Zealand economy, including a severe labour shortage post-COVID, natural disasters, and supply chain disruptions affecting new truck delivery times. Given these headwinds, the revamped management team at MOVE was always going to struggle to deliver improved financial results in the short term.

However, we maintain our belief that MOVE has the potential to become a highly profitable business with significantly greater scale than it currently possesses. The market dynamics appear favourable for MOVE, as one player dominates 50% of the market, while the remaining share is divided among MOVE and three to four players with private equity ownership. With the benefit of hindsight, we made our investment too early; however, this has allowed us to secure a >15% ownership stake in a business that attracts relatively few institutional investors.

An Increasingly Ageing Truck Fleet is Hauling More Freight



Source: Bureau of Infrastructure and Transport Research Economics

FY24 OUTLOOK

As we move into FY24, the prevailing sense of uncertainty has led to very little conviction amongst 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 residential housing and apartments (Big River Industries);
- ageing and more complex trucking fleet(s) (MaxiPARTS);
- completing the infrastructure project backlog (COG Financial Services and Big River Industries);
- supply chain pressures and risk-mitigation strategies (MOVE Logistics);
- transition to renewable energy generation (Gentrack Group).

One other thematic we also believe will come to the forefront over the next 12–18 months will be the advantage that 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. COG, BRI, MXI, and Saunders International (ASX: SND) have already made strategic acquisitions in this regard, and we expect them to continue pursuing such opportunities. Furthermore, we believe that MOVE will also seize on 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.

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

NSC CORE INVESTMENTS

MAXIPARTS

ASX: MXI



MaxiPARTS (MXI) is a supplier of commercial truck and trailer aftermarket parts to the road transportation industry. In operation for over 30 years, MXI is one of the largest operators in Australia, with a unified support and distribution network providing over 50,000 different parts across 27 sites nationwide.

COG FINANCIAL SERVICES

ASX: COG



COG Financial Services (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, all of which service the financial needs of the SMEs nationwide. At 1HFY23, COG had an ~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.

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, 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.

MOVE LOGISTICS

ASX/NZX: MOV



MOVE Logistics is one of the largest freight and logistics providers in New Zealand. It has a large network of 41 branches across the two main islands of New Zealand, with capability to serve more than 3,500 customers. Originally listed on the New Zealand Exchange, the business dual listed on the ASX in July 2022.

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.



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 and long-term approach to investing and aims to work collaboratively with businesses rather than be 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 who 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 a 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



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 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



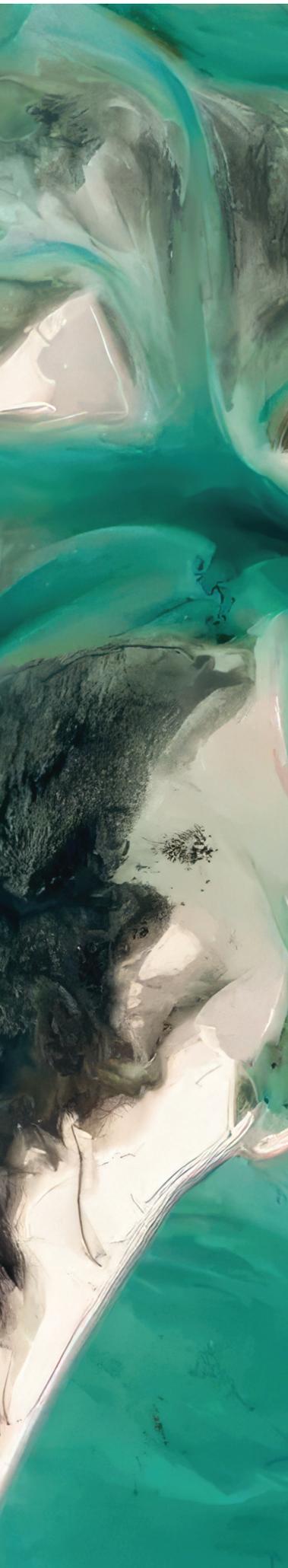
We believe in backing people who are proven and aligned with their shareholders. One of the most fundamental factors consistent across the majority of company success stories in our investment universe is a high-quality, proven management team with 'skin in the game'. NAOS Directors and employees are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

OUR INVESTMENT BELIEFS



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	<p>2,849</p>																																										
TOTAL ASX-LISTED COMPANIES*	<p>COMPANY SIZE & SECURITY TYPE Remove: ASX Top 50, <\$20m market cap, ETFs</p>																																										
INVESTMENT UNIVERSE FUNNEL	<p>REVENUE Remove: No Substantial Revenue</p> <p>INDUSTRY Remove: Industries in structural long-term decline and not conducive to long-term growth ESG Negative Screen: Tobacco, Gambling, Nuclear and Uranium, Controversial Weapons, Coal Mining Operations, Oil and Gas Production and Animal Cruelty</p> <p>BALANCE SHEET Remove: Unsustainable Debt Levels</p>																																										
COMPANIES IN THE NAOS UNIVERSE	<p>286</p>																																										
INVESTMENT CRITERIA	<table border="1"> <thead> <tr> <th data-bbox="544 1196 1321 1211">MANAGEMENT & CULTURE</th> <th data-bbox="1326 1196 1393 1211">COMPANY</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 1218 1321 1256">What is the management team's industry experience and what is its track record on results, integrity and transparency?</td> <td data-bbox="1326 1218 1393 1256">☑</td> </tr> <tr> <td data-bbox="544 1263 1321 1279">What ownership levels (shareholder alignment) does the management team have?</td> <td data-bbox="1326 1263 1393 1279">☑</td> </tr> <tr> <td data-bbox="544 1285 1321 1301">What is the staff turnover level and what does this say about business loyalty among employees?</td> <td data-bbox="1326 1285 1393 1301">☑</td> </tr> <tr> <td data-bbox="544 1308 1321 1323">What ethical standards do employees have?</td> <td data-bbox="1326 1308 1393 1323">☑</td> </tr> <tr> <td data-bbox="544 1330 1321 1346">Does the culture promote long-term strategic thinking even at the 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NAOS ACTIVE INVESTMENT UNIVERSE WATCHLIST	<p>50-80</p>																																										
LISTED INVESTMENT COMPANY	<p>0-20</p> <p>ASX: NSC NAOS SMALL CAP OPPORTUNITIES COMPANY LIMITED NSC generally invests in 0-20 ASX-listed emerging companies.</p>																																										

*Source: Bloomberg Data June 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.



03 ESG FRAMEWORK

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



04 THE INCORPORATION OF ESG AND COMPANY QUESTIONNAIRE

The incorporation of ESG considerations into the investment process applies across all NAOS investments. 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



MaxiPARTS Limited
(ASX: MXI)

MaxiPARTS completed the NAOS ESG questionnaire during FY23.

>1 YEAR

NAOS first invested

\$126 MILLION

MaxiPARTS' market capitalisation as at 30 June 2023



MaxiPARTS (MXI) is a supplier of commercial truck and trailer aftermarket parts to the road transportation industry. In operation for over 30 years, MXI is one of the largest operators in Australia, with a unified support and distribution network providing over 50,000 different parts across 27 sites nationwide.

KEY ACHIEVEMENTS IN FY23:



- MaxiPARTS has worked with key suppliers to reduce packaging waste or has moved towards environmentally friendly options.
- The company has reduced the use of plastic bags by 30,000 for one product alone, with plans to reduce more plastic packaging for other products.
- The company has become a member of the Australian Packaging Covenant Organisation (APCO) to assist in coordinating reduction efforts.
- The company has an external, independent reporting service for staff, suppliers and other persons to report modern slavery issues.

ENVIRONMENTAL:



- The company aims to improve its environmental footprint by targeting a reduction in power usage and an increase in recycling materials.
- Long term, the company is investigating the use of alternative energy vehicles (EV or hydrogen), which could be used on a larger scale. There is currently a trial of EV delivery vehicles underway.
- MaxiPARTS continues to retrofit energy-efficient lighting at various sites. Many site installations have now been completed.
- Solar generation equipment has been installed in certain retail sites, with a view to extending this program to more locations.

SOCIAL:



- An annual pulse survey for employees is conducted, with a total of 73% of staff participating in the survey last year, and the company achieving an overall engagement score of 78%.
- An Employee Assistance Program (EAP) is available to all employees and their families.
- A Supplier Code of Conduct requires suppliers to adhere to labour rights and environmental management commitments.
- A diversity and inclusion training program was conducted in FY23 for all managers.

GOVERNANCE:



- The Board approved an ESG Activity Plan to improve environmental activities and report on its impact.
- Independent directors make up 80% of the Board.
- Female Board participation in FY23 was 40%.

AREAS FOR IMPROVEMENT:



- Provide environmental metrics where possible. Measurement will assist with developing ESG strategies.
- The creation of an environmental section on the website or in the annual report to publicly highlight initiatives and progress.
- Set objectives and put targets in place to improve energy efficiency.
- Use renewable energy at retail sites and distribution centres.
- Develop a policy on waste management.
- Continue to develop and improve training programs, and assess and plan staff training needs.
- Continue to pursue gender diversity targets not met in the existing Corporate Governance Statement.
- Develop a policy on fair remuneration and consider incentives for non-management staff.

“The Company believes that perspectives resulting from a diverse workforce promote innovation and business success, increasing productivity and competitiveness.”

Excerpt from MaxiPARTS’ Workplace Diversity & Equal Opportunity Policy

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.

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.

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.

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.

NAOS GIVING BACK

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

NAOS is proud to be supporting:



Healthy, productive landscapes where people and nature thrive



Together, we're returning the bush to good health



To provide excellence in aeromedical and primary health care across Australia



Empowering young people to thrive beyond the impacts of family mental illness

CORPORATE GOVERNANCE STATEMENT

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

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

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DIRECTORS' REPORT

The Directors present their report together with the financial report of NAOS Small Cap Opportunities Company Limited (the Company) for the financial 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. Since 20 October 2017, the Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence No. 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
David Rickards OAM (Independent Chair)	28 February 2018	28 February 2018 – present
Sarah Williams	25 August 2022	25 August 2022 – present
Trevor Carroll	27 March 2017	27 March 2017 – present
Warwick Evans	20 October 2017	20 October 2017 – present
Sebastian Evans	20 October 2017	20 October 2017 – present

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

DIRECTORS' INFORMATION

David Rickards OAM, Independent Chair

David Rickards has been an Independent Director of the Company since 28 February 2018, and was elected Chair on 10 November 2022. David is also an Independent Director of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC). He is also Co-Founder of Social Enterprise Finance Australia (Sefa) and 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 Masters of Business Administration from the University of Queensland majoring in Accounting and Finance. He also has a Bachelor of Engineering (Civil Engineering) and a Bachelor of Engineering (Structural Engineering) from the University of Sydney, and a Bachelor of Science (Pure Mathematics and Geology).

Sarah Williams, Independent Director

Sarah Williams was appointed as an Independent Director of the Company on 25 August 2022. Sarah is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Ex-50 Opportunities Company Limited (ASX: NAC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management within the financial services and IT industries. Most recently, Sarah was an executive director at Macquarie Group holding the role of head of IT for the 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 also 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.

DIRECTORS' INFORMATION (CONTINUED)

Trevor Carroll, Independent Director

Trevor Carroll has been an Independent Director of the Company since 27 March 2017. Trevor was appointed Chair on 26 October 2017 and retired as Chair on 10 November 2022.

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

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

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

Warwick Evans, Non-Independent Director

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

Warwick has over 35 years of equity market experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001 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 20 October 2017. Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management, the Investment Manager, since 2010.

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

COMPANY SECRETARY

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

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

COMPANY SECRETARY INFORMATION

Rajiv Sharma – Company Secretary

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

Rajiv has over 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.

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

The following table shows the number of Board meetings held during the financial year ended 30 June 2023.

Year ended 30 June 2023	Eligible to attend	Attended
David Rickards (Chair)	11	11
Sarah Williams (Director)	9	9
Trevor Carroll (Director)	11	11
Warwick Evans (Director)	11	11
Sebastian Evans (Director)	11	11

REVIEW OF OPERATIONS

The Company's operating profit before tax for the year ended 30 June 2023 was \$563,100 (30 June 2022: operating loss before tax of \$30,932,756), and operating profit after tax for the year was \$2,609,561 (30 June 2022: operating loss after tax of \$19,787,661). In another challenging and volatile year for small-cap equities, the investment portfolio returned +2.62%, compared to the Benchmark Index, being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which returned +8.45% for the financial year.

The post-tax Net Tangible Asset (NTA) value per share of the Company has decreased from \$0.84 to \$0.81 over the course of the financial year, which was mainly driven by the 4.80 cents per share of fully franked dividends paid to shareholders during the year. After adjusting for dividends, the NTA return for the financial year was +2.14%.

The on-market share buyback continued to be active during the financial year to take advantage of the discount of the share price relative to NTA. During the financial year, a total of 5,838,050 shares were bought back for a total consideration of \$4,071,308. The buyback of shares by the Company at a discount is accretive to NTA per share and as such the Board considers the buyback program to be an integral part of an effective capital management strategy.

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 \$112,202,901 (2022: \$120,401,464). 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 \$'000	% Franked	Date of payment
2022 Final quarterly dividend (declared on 18 August 2022)	1.05	1,498	100%	21 September 2022
2023 First quarterly interim dividend (declared on 18 October 2022)	1.25	1,773	100%	30 November 2022
2023 Second quarterly interim dividend (declared on 23 February 2023)	1.25	1,736	100%	31 March 2023
2023 Third quarterly interim dividend (declared on 19 April 2023)	1.25	1,730	100%	5 June 2023
		6,737		

DIVIDENDS PAID OR PAYABLE (CONTINUED)

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

Since 30 June 2023, the Company has declared a final quarterly dividend of 1.25 cents per share, fully franked, to be paid on 27 September 2023.

SIGNIFICANT CHANGES IN 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 fully franked quarterly dividend of 1.25 cents per share, payable on 27 September 2023.

Other than the above, there has been no other matter or circumstance occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS

The Company continues 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.

ROUNDING

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

REMUNERATION REPORT (AUDITED)

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

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

Remuneration of Directors

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

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

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

	Short-term employee benefits	Post- employment benefit	
	Directors fees	Superannuation	Total
	\$	\$	\$
30 June 2023			
David Rickards (Chair)	27,903	2,930	30,833
Sarah Williams (Director)	19,325	2,029	21,354
Trevor Carroll (Director)	26,395	2,771	29,166
Warwick Evans (Director)	22,624	2,376	25,000
Total	96,247	10,106	106,353

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

Interest in shares and options of the Company

During the 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 and bonus options 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
David Rickards (Chair)	353,484	24,730	–	378,214
Sarah Williams (Director)	–	24,500	–	24,500
Trevor Carroll (Director)	206,318	6,661	–	212,979
Warwick Evans (Director)	630,514	44,112	–	674,626
Sebastian Evans (Director)	1,257,600	–	–	1,257,600

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
Trevor Carroll (Chair)	194,449	11,869	–	206,318
David Rickards (Director)	338,763	14,721	–	353,484
Warwick Evans (Director)	594,244	36,270	–	630,514
Sebastian Evans (Director)	1,158,500	99,100	–	1,257,600

Bonus options Year ended 30 June 2023	Opening balance No of bonus options	Acquired No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
David Rickards (Chair)	111,256	–	–	111,256
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	–	63,861
Warwick Evans (Director)	195,161	–	–	195,161
Sebastian Evans (Director)	386,166	–	–	386,166

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

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

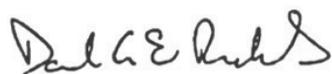
Consequences of Company's Performance on Shareholder Wealth

The following table summarises Company performance and Directors' remuneration over 5 years. Directors' fees are not linked to the Company's performance.

	2023	2022	2021	2020	2019
Operating profit/(loss) after tax (\$'000)	2,610	(19,788)	51,527	1,412	(17,702)
Fully Franked Dividends (cents per share)	5.00	5.00	5.00	4.00	4.00
NTA after tax (\$ per share)	0.81	0.84	1.02	0.73	0.75
Total Directors' remuneration (\$)	106,353	85,000	85,000	85,000	85,000
Shareholders' equity (\$'000)	112,203	120,401	156,215	115,842	125,457

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*.



David Rickards OAM

Independent Chair

22 August 2023

AUDITOR'S INDEPENDENCE DECLARATION

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AustraliaTel: +61 (0) 2 6263 7000
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www.deloitte.com.auThe Board of Directors
NAOS Small Cap Opportunities Company Limited
Level 34, 25 Martin Place
Sydney NSW 2000

22 August 2023

Dear Directors,

NAOS Small Cap Opportunities Company Limited

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

As lead audit partner for the audit of the financial statements of NAOS Small Cap Opportunities Company Limited for the financial year ended 30 June 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

Jonathon Corbett
Partner
Chartered Accountants

INDEPENDENT AUDITOR’S REPORT



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NAOS Small Cap Opportunities Company Limited (the “Company”, which comprises the statement of financial position as at 30 June 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
<p>Valuation and existence of Level 1 financial assets held at fair value through profit or loss</p> <p>The Company’s listed equity securities are the most significant driver of the Company’s net tangible assets and the profit or loss attributable to shareholders.</p> <p>As at 30 June 2023, the Company’s listed equity securities held at fair value through profit or loss totaled circa \$142 million as disclosed in Notes 7 and 17.</p> <p>Listed equity securities are fair valued using the unadjusted last sale price quoted on the Australian Securities Exchange. Changes in the fair value of the listed securities are recognised through</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating key controls in place at the outsourced service providers (i.e. administrator and custodian) in relation to the valuation and existence of financial assets at fair value through profit or loss, including any exceptions noted; • Obtaining confirmation of the investment holdings directly from the custodian; • On a sample basis, agreeing the valuation of listed equity securities to an independent pricing source; • On a sample basis, agreeing the investment holdings to the external custodian’s holdings statement; and

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Deloitte.

<p>profit or loss.</p> <p>Given the significance of the listed equity securities, the key audit matter is whether the Company has ownership of the listed equity securities and has accurately recorded the fair value movements for the reporting period.</p>	<ul style="list-style-type: none"> • Reperforming a reconciliation of the financial assets balance for the period ended 30 June 2023, including purchases, sales, other relevant transactions. <p>We also assessed the appropriateness of the disclosures in Notes 7 and 17 to the financial statements.</p>
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 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

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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 42 to 44 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of NAOS Small Cap 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



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 \$'000	Year ended 30 June 2022 \$'000
Income	3	5,236	(25,549)
Expenses			
Management fees	16	(1,767)	(2,179)
Interest expense	9	(1,573)	(1,573)
Transaction costs		(291)	(641)
Listing, custody and registry fees		(253)	(221)
Legal and professional fees		(55)	(61)
Amortisation costs		(186)	(185)
Directors' remuneration expense		(106)	(85)
Other expenses from ordinary activities		(442)	(439)
Profit/(loss) before income tax benefit/(expense)		563	(30,933)
Income tax benefit/(expense)	4(a)	2,047	11,145
Profit/(loss) for the year attributable to shareholders of the Company		2,610	(19,788)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to shareholders of the Company		2,610	(19,788)
Basic and diluted earnings/(loss) per share (cents per share)	18	1.86	(13.33)

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 \$'000	As at 30 June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	13(a)	319	459
Trade and other receivables	6	150	749
Prepayments		97	103
Financial assets at fair value through profit or loss	7	142,305	152,113
Total current assets		142,871	153,424
Non-current assets			
Deferred tax assets	4(b)	4,392	496
Total non-current assets		4,392	496
Total assets		147,263	153,920
Liabilities			
Current liabilities			
Trade and other payables	8	340	834
Total current liabilities		340	834
Non-current liabilities			
Deferred tax liabilities	4(c)	2,814	965
Borrowings	9	31,906	31,720
Total non-current liabilities		34,720	32,685
Total liabilities		35,060	33,519
Net assets		112,203	120,401
Equity			
Issued capital	10	178,765	182,836
Profits reserve	11(a)	23,540	30,277
Accumulated losses	11(b)	(90,102)	(92,712)
Total equity		112,203	120,401

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 \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	191,142	32,793	(67,720)	156,215
Loss for the year	–	–	(19,788)	(19,788)
Transfer to profits reserve	–	5,204	(5,204)	–
Dividends paid	–	(7,720)	–	(7,720)
Share options exercised	84	–	–	84
DRP shares allotted	1,114	–	–	1,114
Purchase of shares on-market for DRP	(1,114)	–	–	(1,114)
Shares bought back from shareholders	(8,390)	–	–	(8,390)
Balance at 30 June 2022	182,836	30,277	(92,712)	120,401

	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	182,836	30,277	(92,712)	120,401
Profit for the year	–	–	2,610	2,610
Dividends paid	–	(6,737)	–	(6,737)
DRP shares allotted	1,043	–	–	1,043
Purchase of shares on-market for DRP	(1,043)	–	–	(1,043)
Shares bought back from shareholders	(4,071)	–	–	(4,071)
Balance at 30 June 2023	178,765	23,540	(90,102)	112,203

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 \$'000	Year ended 30 June 2022 \$'000
Cash flows from operating activities			
Payments for purchase of investments		(36,455)	(83,299)
Proceeds from sale of investments		43,802	92,368
Dividends received		7,524	6,526
Interest received		11	–
Interest paid to note holders		(1,565)	(1,565)
Other payments		(2,649)	(3,082)
Net cash provided by operating activities	13(b)	10,668	10,948
Cash flows from financing activities			
Purchase of shares on-market for DRP		(1,043)	(1,114)
Share options exercised		–	84
Dividends paid net of amounts reinvested		(5,694)	(6,606)
Payments for buyback of shares		(4,071)	(8,390)
Net proceeds from issue of unsecured notes		–	5,081
Net cash used in financing activities		(10,808)	(10,945)
		(140)	3
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		459	456
Cash and cash equivalents at the end of the year	13(a)	319	459

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

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

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

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

NAOS Asset Management Limited (the "Investment Manager") is the investment manager for the Company. The financial statements were authorised for issue by the Directors on 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 these financial statements, the Company is a for-profit entity.

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

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

b) Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements.

c) Statement of Compliance

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

d) Reporting Currency

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

e) Going Concern Basis

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

f) Revenue and Income Recognition

Revenue

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

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

Dividends

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

Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash and Cash Equivalents

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

h) Investments in Financial Instruments

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

(i) Initial recognition, measurement and derecognition

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

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

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

(ii) Classification and subsequent measurement

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

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

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

Financial Liabilities

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

Impairment of financial assets

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

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

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

i) Expenses

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

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").

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Payables

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

l) Taxation

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

m) Dividends

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

n) Share Capital

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

o) Profits Reserve

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

p) Goods and Services Tax (GST)

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

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

q) Earnings Per Share

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Rounding of amounts

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

s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Income Tax

The Company has recognised deferred tax assets relating to current and prior period tax losses of \$4,355,312 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 Standard and Interpretations adopted in the current period

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

New Accounting Standards and Interpretations not yet adopted

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

3. INCOME

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Net (losses)/gains on financial assets held at fair value through profit or loss	(2,299)	(32,070)
Interest income	11	-
Dividend income	7,524	6,521
Total income	5,236	(25,549)

4. INCOME TAX

a) Income tax expense/(benefit)

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

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Prima facie income tax expense/(benefit) calculated at 30%	169	(9,280)
Less the tax effect of:		
Imputation credit gross up	950	807
Franking credit offset	(3,166)	(2,690)
Under/(over) provision from prior year	–	18
	(2,047)	(11,145)
Effective tax rate	–365%	36%

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Change in deferred tax liability	1,849	(13,311)
Change in deferred tax asset	(3,896)	2,166
	(2,047)	(11,145)

b) Deferred tax assets

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Tax losses	4,355	443
Accruals	17	20
Capitalised issue costs	20	33
	4,392	496

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Movement in deferred tax assets		
Balance at the beginning of the period	496	2,662
(Charged)/credited to the Statement of Profit or Loss and Comprehensive Income	3,896	(2,166)
At reporting date	4,392	496

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX (CONTINUED)

c) Deferred tax liabilities

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Temporary differences in relation to:		
Unrealised gains on investments	2,814	965
	2,814	965
Movement in deferred tax liabilities		
Balance at the beginning of the year	965	14,276
Charged/(credited) to the Statement of Profit or Loss and Other Comprehensive Income	1,849	(13,311)
At reporting date	2,814	965

5. DIVIDENDS PAID

Year ended 30 June 2023	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2022 Final quarterly dividend (declared on 18 August 2022)	1.05	1,498	100%	21 September 2022
2023 First quarterly interim dividend (declared on 18 October 2022)	1.25	1,773	100%	30 November 2022
2023 Second quarterly interim dividend (declared on 23 February 2023)	1.25	1,736	100%	31 March 2023
2023 Third quarterly interim dividend (declared on 19 April 2023)	1.25	1,730	100%	5 June 2023
		6,737		
Year ended 30 June 2022	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2021 Final quarterly dividend (declared on 19 August 2021)	1.25	1,901	100%	20 September 2021
2022 First quarterly interim dividend (declared on 20 October 2021)	1.25	1,878	100%	30 November 2021
2022 Second quarterly interim dividend (declared on 17 February 2022)	1.35	1,985	100%	25 March 2022
2022 Third quarterly interim dividend (declared on 20 April 2022)	1.35	1,956	100%	6 June 2022
		7,720		

5. DIVIDENDS PAID (CONTINUED)

Dividend Franking Information

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Franking credits available for shareholders from previous financial years	334	953
Impact on the franking account of dividends paid during the year	(2,887)	(3,309)
Impact on the franking account of dividends received during the year	3,167	2,690
Franking account balance at reporting date	614	334

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 \$'000	As at 30 June 2022 \$'000
Unsettled trade receivables	100	687
Other receivables	50	62
Total	150	749

Receivables are non-interest bearing and unsecured. Outstanding trades, i.e. "Unsettled trade receivables", are on the terms operating in the investment management industry which usually require settlement within two days of the date of the transaction. None of the receivables are past due or impaired at the end of the reporting period (2022: Nil).

7. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial Assets at Fair Value through Profit or Loss

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Investments in listed equities	142,149	150,932
Investments in listed options	156	1,181
Total financial assets at fair value through profit or loss	142,305	152,113

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 \$'000	As at 30 June 2022 \$'000
Unsettled trades payable	27	485
Other payables	313	349
Total	340	834

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 \$32.2 million unsecured notes with a 5-year term, carrying an interest entitlement of 4.95% per annum. Interest is paid half-yearly on 3 June and 3 December. As at 30 June 2023, a total of \$79,924 interest is payable on the notes. The unsecured notes are due for repayment on 3 December 2024. Terms of the unsecured notes are regulated under a trust deed between the Company and Equity Trustees Limited.

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Opening balance of unsecured notes	31,720	26,454
Unsecured notes issued in the period	–	5,171
Less issue costs	–	(90)
Add amortisation of costs for period	186	185
At reporting date	31,906	31,720

10. ISSUED CAPITAL

	30 June 2023		30 June 2022	
	No of shares	\$'000	No of shares	\$'000
Issued and paid-up capital – ordinary shares	137,882,856	178,765	143,720,906	182,836

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

Each share will confer on its holder:

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

Movements in Ordinary Share Capital

	No of shares	\$'000
Opening balance 1 July 2021	153,236,253	191,142
DRP shares allotted	1,279,228	1,114
Purchase of shares on market for DRP	(1,279,228)	(1,114)
Shares bought back	(9,597,672)	(8,390)
Share options exercised	82,325	84
Closing balance 30 June 2022	143,720,906	182,836
Opening balance 1 July 2022	143,720,906	182,836
DRP shares allotted	1,481,875	1,043
Purchase of shares on market for DRP	(1,481,875)	(1,043)
Shares bought back	(5,838,050)	(4,071)
Closing balance 30 June 2023	137,882,856	178,765

11. PROFITS RESERVE AND ACCUMULATED LOSSES

a) Profits Reserve

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Opening balance	30,277	32,793
Transfer to profits reserve	–	5,204
Dividends paid	(6,737)	(7,720)
Balance at reporting date	23,540	30,277

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

b) Accumulated Losses

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Balance at the beginning of the year	(92,712)	(67,720)
Transfer to profits reserve	–	(5,204)
Profit/(Loss) for the year attributable to the members of the company	2,610	(19,788)
Balance at reporting date	(90,102)	(92,712)

12. AUDITOR'S REMUNERATION

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Audit and other assurance services – Deloitte Touche Tohmatsu		
Audit and review of financial reports	60,200	60,270
Total remuneration for audit and other assurance services	60,200	60,270

13. CASH AND CASH EQUIVALENTS

a) Components of cash and cash equivalents

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Cash at bank	319	459

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Profit/(loss) for the year attributable to shareholders after tax	2,610	(19,788)
Adjustments for:		
Amortisation expense on unsecured notes	186	185
Change in value of financial assets designated at fair value through profit or loss	9,808	41,791
Income tax expense/(benefit) recognised in the Statement of Profit or Loss and Other Comprehensive Income	(2,047)	(11,145)
Change in assets and liabilities		
Decrease/(increase) in trade and other receivables	605	1,040
(Decrease) in trade and other payables	(494)	(1,135)
Net cash provided by operating activities	10,668	10,948

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 \$106,353 (2022: \$85,000).

Other than the disclosure at Note 16 there were no shares granted during the reporting period as compensation to the Directors. Transactions with related parties have taken place at 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 1,257,600 shares (2022: 1,257,600 shares) and 386,166 bonus options (2022: 386,166 bonus options) in the Company. Other than the disclosure at Note 16 and above there was no interest in the Company held by other entities also managed by the key management personnel.

Holdings of Shares by Key Management Personnel

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

Ordinary shares Year ended 30 June 2023	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
David Rickards (Chair)	353,484	24,730	–	378,214
Sarah Williams (Director)	–	24,500	–	24,500
Trevor Carroll (Director)	206,318	6,661	–	212,979
Warwick Evans (Director)	630,514	44,112	–	674,626
Sebastian Evans (Director)	1,257,600	–	–	1,257,600

14. KEY MANAGEMENT PERSONNEL (CONTINUED)

b) Related Party Shareholdings (Continued)

Holdings of Shares by Key Management Personnel (Continued)

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
Trevor Carroll (Chair)	194,449	11,869	–	206,318
David Rickards (Director)	338,763	14,721	–	353,484
Warwick Evans (Director)	594,244	36,270	–	630,514
Sebastian Evans (Director)	1,158,500	99,100	–	1,257,600

Bonus options Year ended 30 June 2023	Opening balance No of bonus options	Acquired No of bonus options	Exercised No of bonus options	Closing balance No of bonus options
David Rickards (Chair)	111,256	–	–	111,256
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	–	63,861
Warwick Evans (Director)	195,161	–	–	195,161
Sebastian Evans (Director)	386,166	–	–	386,166

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

c) Other Transactions Within the Company

Apart from those details disclosed in this Note, no other key management personnel have entered into a material contract with the Company during the financial period and there were no material contracts involving key management personnel 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 as Investment Manager of the Company, the Investment Manager is entitled to be paid a monthly management fee rate equal to 0.0958% (excluding GST) of the gross value of the portfolio calculated on the last business day of each month representing an annualised management fee rate of 1.15% (excluding GST) per annum of the average gross value of the portfolio. At its discretion and subject to shareholder approval, the Investment Manager may elect to be paid in shares.

The following management fees were paid or payable to the Investment Manager during the year ended 30 June 2023:

- Management fees of \$1,766,905 (2022: \$2,179,299) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2023 were \$150,237 (2022: \$160,662) (including RITC*).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY INFORMATION (CONTINUED)

Performance Fees

In the event that the investment portfolio outperforms the Benchmark Index (being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI)), the Investment Manager is entitled to an annual performance fee equal to 20% (excluding GST) of the amount the portfolio outperforms the Benchmark Index. No performance fee is payable if the portfolio underperforms the Benchmark Index. Any underperformance to the Benchmark Index is carried forward to future performance calculation periods and must be recouped before the Investment Manager is entitled to a performance fee. No performance fees were paid or payable to the Investment Manager for the year ended 30 June 2023 (2022: \$Nil).

In addition, the Company has a services agreement with the Investment Manager to provide the use of premises and facilities, company secretarial, administrative, financial and accounting services. For the year ended 30 June 2023 the fees paid to the Investment Manager were \$180,000 (2022: \$180,000).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

a) Credit Risk

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

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

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

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

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 notes that were issued on 4 December 2019 and 12 July 2021 pay a fixed rate of 4.95% per annum payable half-yearly on 3 June and 3 December each year until 3 December 2024.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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.

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2023			
Assets			
Cash and cash equivalents	319	–	319
Receivables	–	150	150
Financial assets at fair value through profit or loss	–	142,305	142,305
Total Assets	319	142,455	142,774
Liabilities			
Payables	–	340	340
Total Liabilities	–	340	340
Net exposure	319	142,115	142,434

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

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 \$'000
30 June 2023		
AUD interest rate	250bps/(250bps)	8/(8)
30 June 2022		
AUD interest rate	250bps/(250bps)	11/(11)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 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 positive 10% sensitivity would have had an impact in the Company's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to shareholders as shown in the table below.

	Impact on operating profit/Net assets attributable to shareholders	
	-10% \$'000	+10% \$'000
30 June 2023	(14,231)	14,231
30 June 2022	(15,211)	15,211

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

Industry	% of Portfolio	
	30 June 2023	30 June 2022
Construction Materials	38.35%	28.16%
Financials	35.28%	38.91%
Industrials	16.44%	12.57%
Commercial & Professional Services	9.93%	7.32%
Real Estate	0.00%	8.22%
Information Technology	0.00%	4.82%
Total	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 other capital management initiatives that may be implemented by the Board from time to time. The Investment Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount, the Company can alter its cash outflows as appropriate. The assets of the Company are largely in the form of 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.

	Less than 1 year \$	>1 year to 2 years \$'000	Over 5 years \$'000	Total \$'000	Carrying amount \$'000
30 June 2023					
Trade and other payables	340	-	-	340	340
Borrowings	-	32,171	-	32,171	31,906
Total	340	32,171	-	32,511	32,246

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Liquidity Risk (Continued)

30 June 2022	Less than 1 year \$	>1 year to 2 years \$'000	2 to 5 years \$'000	Total \$'000	Carrying amount \$'000
Trade and other payables	834	–	–	834	834
Borrowings	–	–	32,171	32,171	31,720
Total	834	–	32,171	33,005	32,554

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

d) Fair Value Hierarchy

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

Level 1:

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

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

Level 2:

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

Level 3:

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

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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed equities	142,149	–	–	142,149
Listed options	156	–	–	156
Total	142,305	–	–	142,305

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed equities	150,932	–	–	150,932
Listed options	1,181	–	–	1,181
Total	152,113	–	–	152,113

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

18. EARNINGS PER SHARE

	Year ended 30 June 2023 Cents	Year ended 30 June 2022 Cents
Basic and diluted earnings/(loss) per share	1.86	(13.33)
	shares	shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	140,648,952	148,430,980
	\$'000	\$'000
Net profit/(loss) used in the calculation of basic and diluted earnings/(loss) per share	2,610	(19,788)

19. COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies as at 30 June 2023 (30 June 2022: Nil).

20. SUBSEQUENT EVENTS

On 22 August 2023, the Company declared a fully franked quarterly dividend of 1.25 cents per share payable on 27 September 2023.

Other than the above, there has been no other matter or circumstances occurring subsequent to the end of the year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

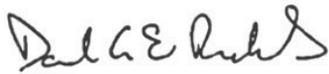
In accordance with a resolution of the Directors of NAOS Small Cap Opportunities Company Limited, we declare that:

In the opinion of the Directors:

- the financial statements and notes are in accordance with the Corporations Regulations 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



David Rickards OAM

Independent Chair

22 August 2023

ADDITIONAL INFORMATION

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

INVESTMENT PORTFOLIO

As at 30 June 2023 the Company held the following investments:

Big River Industries Limited	Move Logistics Group Limited
BSA Limited	Saunders International Limited
BSA Limited Listed Options	Schaffer Corporation Limited
COG Financial Services Limited	Smartgroup Corporation Limited
Infomedia Limited	Supply Network Limited
Maxiparts Limited	

During the financial year ended 30 June 2023, the Company had 612 (2022: 752) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2023 were \$277,527 (2022: \$640,877).

20 LARGEST SHAREHOLDERS

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

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	12,480,505	9.11%
Gold Tiger Investments Pty Ltd	2,175,000	1.59%
BNP Paribas Nominees Pty Ltd	1,883,455	1.37%
NAOS Asset Management Limited	1,265,800	0.92%
Beck Havas Pty Ltd	1,180,000	0.86%
Angus Mac Pty Ltd	1,122,397	0.82%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	1,118,958	0.82%
HSBC Custody Nominees Australia Limited	1,110,117	0.81%
Somoke Pty Limited	1,086,067	0.79%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	891,764	0.65%
Mr Reginald George Kenneth Nealie & Mrs Teresa Nealie	850,000	0.62%
Lonceta Pty Ltd	766,500	0.56%
W W E Investments Pty Ltd	674,626	0.49%
Carmant Pty Ltd	673,272	0.49%
Mrs Ida Rubin & Mr Ian Rubin & Mr Yuly Rubin	600,000	0.44%
R & B Invest Pty Ltd	575,770	0.42%
Radell Pty Limited	548,498	0.40%
Mrs Tracy Fraser	500,000	0.36%
Mrs Anne Elizabeth Scott	500,000	0.36%
Keiser Investments Pty Ltd <Gann Family Retirement A/C>	500,000	0.36%
Total	30,502,729	22.24%

SUBSTANTIAL SHAREHOLDERS

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	12,480,505	9.11%

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	419	134,664	0.10%
1,001–5,000	685	2,114,418	1.54%
5,001–10,000	561	4,454,467	3.25%
10,001–100,000	1,803	60,844,070	44.40%
100,001 and over	230	69,484,139	50.71%
Total	3,698	137,031,758	100.00%

20 LARGEST OPTION HOLDERS

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

Option holders	Options held	% of issued options
Salter Brothers Asset Management Pty Ltd	2,000,000	3.93%
J P Morgan Nominees Australia Pty Limited	1,793,966	3.53%
Abeille Investments Pty Limited	1,783,333	3.51%
Mr Ross Dennis Berndt & Mrs Judith Anne Berndt	1,258,965	2.47%
Munrose Investments Pty Ltd	1,250,468	2.46%
Gold Tiger Investments Pty Ltd	725,000	1.43%
Dr Alan Donovan	550,000	1.08%
Carter Haywood Pty Ltd	545,376	1.07%
Mr Andrew Ian Penney & Ms Nanette Claire Fox & Ms Carolyn Anne Logan	521,450	1.02%
Mr Akira Thomas Paterson Ingles	501,000	0.98%
Ms Patricia Ann Paterson	446,788	0.88%
BNP Paribas Nominees Pty Ltd	434,044	0.85%
Mr Anthony Gerard Smith & Ms Therese Anne Smith	418,181	0.82%
NAOS Asset Management Limited	386,166	0.76%
Mr Steven Robert Monaco	357,940	0.70%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	323,703	0.64%
HSBC Custody Nominees Australia Limited	319,859	0.63%
Somoke Pty Limited	314,188	0.62%
Angus Mac Pty Ltd	306,484	0.60%
Mr David Edward Igglesden & Mrs Susan Jean Igglesden	300,000	0.59%
Total	14,536,911	28.57%

ADDITIONAL INFORMATION (CONTINUED)

DISTRIBUTION OF OPTION HOLDERS

Analysis of options by size of optionholders as at 31 July 2023.

Category	Number of optionholders	Options held	% of issued options
1–1,000	654	303,424	0.60%
1,001–5,000	1,141	3,132,827	6.16%
5,001–10,000	608	4,512,554	8.87%
10,001–100,000	867	22,157,939	43.55%
100,001 and over	59	20,767,420	40.82%
Total	3,329	50,874,164	100.00%

VOTING RIGHTS

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

ASX LISTING

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

BUYBACK

For the financial year ended 30 June 2023 the Company has bought back a total of 5,838,050 shares for a consideration of \$4,071,308 (2022: The Company bought back a total of 9,597,672 ordinary shares for a consideration of \$8,389,182).

UNMARKETABLE PARCELS

As at 31 July 2023 the number of shareholdings held in less than marketable parcels was 311.

UNQUOTED SECURITIES

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

RESTRICTIONS ON SHARES

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

CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Sebastian Evans
Rajiv Sharma

REGISTERED OFFICE

Level 34
25 Martin Place
Sydney NSW 2000

INVESTMENT MANAGER

NAOS Asset Management Limited
Level 34
25 Martin Place
Sydney NSW 2000
(Australian Financial Services Licence Number: 273 529)

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