

## NAOS Emerging Opportunities Company Limited

ACN: 161 106 510

### Appendix 4D

#### Half-year results announcement for the half-year ended 31 December 2014

*All comparisons unless specified are to the half-year ended 31 December 2013*

	\$	up/down	% change
Revenue from ordinary activities	1,742,639	Down	-48%
Profit from ordinary activities before tax attributable to members	825,782	Down	-73%
Profit from ordinary activities after tax attributable to members	1,063,231	Down	-56%
<b>Dividend Information</b>	<b>Cents per share</b>	<b>Franked amount per share</b>	<b>Tax rate for franking</b>
2014 Final dividend	3.00	3.00	30%
2015 Interim dividend	3.25	3.25	30%
<b>Interim Dividend Dates</b>			
Ex-dividend date			24 March 2015
Record date			26 March 2015
Payment date			31 March 2015
<b>Dividend Reinvestment Plan</b>			
The Dividend Reinvestment Plan is in operation and the recommended fully franked interim dividend of 3.25 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.			
	<b>31 December 2014</b>	<b>30 June 2014</b>	
	\$	\$	
(Post-tax) Net tangible asset backing	1.158	1.209	
This report is based on the half-year financial report which has been subject to independent review by the auditors, Deloitte Touche Tohmatsu Australia. All the documents comprise the information required by the Listing Rule 4.2A. This information must be read in conjunction with the 30 June 2014 Annual Financial Report.			

**NAOS Emerging Opportunities Company Limited**

**ACN 161 106 510**

Half-year report for the financial half-year ended 31 December 2014.

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## Directors' Report

The directors of NAOS Emerging Opportunities Company Limited ACN 161 106 510 ("the Company"), submit their half-year report for the Company for the half-year ended 31 December 2014.

### Company Information

#### Directors and Officers

The names of the directors of the Company, in office from inception and up to the date of this report are:

Name	Title
David Rickards	Independent Chairman
Warwick Evans	Director
Sebastian Evans	Director

#### Principal Activities

The Company was constituted on 6 November 2012 to invest primarily in a concentrated portfolio of listed entities that are not included in the S&P/ASX 100 Accumulation Index with the objective of providing investors with high quality, transparent and concentrated exposure to emerging companies.

The Company also has the ability to benefit from a fall in value of companies which may be overvalued through the use of short selling. This allows shareholders not only to benefit from rising share prices but also falling share prices.

### Review of Operations

#### Results

The results of the operations of the Company are disclosed in the condensed Statement of Profit or Loss and Other Comprehensive Income included in these condensed financial statements. The results and dividends for the half-year ended 31 December 2014 were as follows:

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Profit before income tax expense	825,782	3,014,472
Income tax benefit/(expense)	237,449	(594,691)
<b>Profit for the period</b>	<b>1,063,231</b>	<b>2,419,781</b>
<b>Profit for the period attributable to members</b>	<b>1,063,231</b>	<b>2,419,781</b>

#### Dividends Paid or Payable

##### Half year ended 31 December 2014

	Date declared	Dividend rate (cents per share)	Total amount (\$)	% Franked
2014 Final dividend	20 November 2014	3.00	1,098,271	30%
			<b>1,098,271</b>	

## Dividends Paid or Payable (continued)

### Half year ended 31 December 2013

	Date declared	Dividend rate (cents per share)	Total amount (\$)	% Franked
2013 Final dividend	27 August 2013	2.50	436,166	30%
			<b>436,166</b>	

### Net Assets

As at 31 December 2014 and 30 June 2014, the net assets of the Company were:

	31 December 2014 \$	30 June 2014 \$
Net assets as at fair value	42,796,181	41,091,531
Undiluted NTA per share (pre-tax)	1.179	1.203
Undiluted NTA per share (post-tax)	1.158	1.167
Diluted NTA per share (pre-tax)	1.137	1.150
Diluted NTA per share (post-tax)	1.122	1.123

The fair value of financial assets traded in an active market is based on their quoted market price at the reporting date without any deduction for estimated future selling costs.

### Significant Changes in State of Affairs

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

### Subsequent Events

On 25 February 2015, the Company declared a fully franked interim dividend for the half-year ended 31 December 2014 of 3.25 cents per share.

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

### 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 half-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. 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 half-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 amounts contained in this report and in the financial statements have not been rounded to the nearest thousand dollars under the option available to the Company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

***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 4.

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

A handwritten signature in black ink, appearing to read 'SE', is positioned above the printed name of Sebastian Evans.

Sebastian Evans

Director

25 February 2015

The Board of Directors  
Naos Emerging Opportunities Company Limited  
Level 4, Domain House  
139 Macquarie Street  
Sydney, NSW, 2000

25 February 2015

Dear Directors,

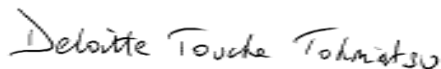
**Naos Emerging Opportunities Company Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Naos Emerging Opportunities Company Limited.

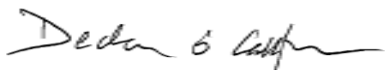
As lead audit partner for the review of the financial statements of Naos Emerging Opportunities Company Limited for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants

## **Independent Auditor's Review Report to the Members of Naos Emerging Opportunities Company Limited**

We have reviewed the accompanying half-year financial report of Naos Emerging Opportunities Company Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 7 to 19.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Naos Emerging Opportunities Company Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Naos Emerging Opportunities Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



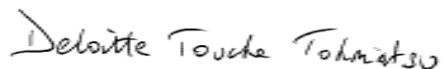
## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Naos Emerging Opportunities Company Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

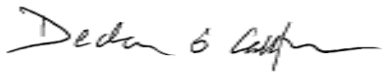
## *Conclusion*

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 25 February, 2015

# Condensed Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2014

	Note	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
<b>Income</b>	3	1,742,639	3,357,270
<b>Expenses</b>			
Interest expense		(12,585)	(10,317)
Dividend expense - short sales		(47,160)	-
Management fees		(282,754)	(144,541)
Performance fees		(150,031)	(23,748)
Administration fees		(29,656)	(16,144)
Directors' remuneration		(22,685)	(38,529)
Other expenses	5	(371,986)	(109,519)
<b>Profit before income tax expense</b>		<b>825,782</b>	<b>3,014,472</b>
Income tax benefit/(expense)		237,449	(594,691)
<b>Profit for the half-year attributable to shareholders of the Company</b>		<b>1,063,231</b>	<b>2,419,781</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the half-year attributable to shareholders of the Company</b>		<b>1,063,231</b>	<b>2,419,781</b>
<b>Basic earnings per share</b>		<b>2.88</b>	<b>12.70</b>
<b>Diluted earnings per share</b>		<b>1.77</b>	<b>6.68</b>

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

**Condensed Statement of Financial Position as at 31 December 2014**

	<b>Note</b>	<b>31 December 2014 \$</b>	<b>30 June 2014 \$</b>
<b>Assets</b>			
Cash and cash equivalents		6,725,697	4,394,144
Trade and other receivables		89,779	1,278,029
Financial assets at fair value through profit or loss	6	37,526,367	44,239,857
Deferred tax assets		168,165	353,783
<b>Total assets</b>		<b>44,510,008</b>	<b>50,265,813</b>
<b>Liabilities</b>			
Trade and other payables		790,134	1,194,003
Financial liabilities at fair value through profit or loss	6	-	6,334,600
Provision for income tax		390,636	298,919
Deferred tax liabilities		533,057	1,346,760
<b>Total liabilities</b>		<b>1,713,827</b>	<b>9,174,282</b>
<b>Net assets</b>		<b>42,796,181</b>	<b>41,091,531</b>
<b>Equity</b>			
Issued capital - Ordinary shares	7	35,854,351	33,992,409
Share option reserve	8	2,393,878	2,516,130
Retained earnings	8	4,547,952	4,582,992
<b>Total equity</b>		<b>42,796,181</b>	<b>41,091,531</b>

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

# Condensed Statement of Changes in Equity for the half-year ended 31 December 2014

	Issued capital \$	Share option reserve \$	Retained earnings \$	Total \$
<b>Balance at 1 July 2013</b>	<b>15,700,572</b>	<b>1,486,649</b>	<b>1,107,808</b>	<b>18,295,029</b>
Profit for the half-year	-	-	2,419,781	2,419,781
Other comprehensive income for the half-year	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>15,700,572</b>	<b>1,486,649</b>	<b>3,527,589</b>	<b>20,714,810</b>
Shares issued during the half-year	1,190,521	165,479	-	1,356,000
Share placement fees	(23,541)	-	-	(23,541)
Dividend paid	-	-	(436,166)	(436,166)
Dividend reinvestment	436,166	-	-	436,166
Share option exercise	133,200	-	-	133,200
Transfer from share option reserve	11,437	(11,437)	-	-
<b>Balance at 31 December 2013</b>	<b>17,448,355</b>	<b>1,640,691</b>	<b>3,091,423</b>	<b>22,180,469</b>
<b>Balance at 1 July 2014</b>	<b>33,992,409</b>	<b>2,516,130</b>	<b>4,582,992</b>	<b>41,091,531</b>
Profit for the half-year	-	-	1,063,231	1,063,231
Other comprehensive income for the half-year	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>33,992,409</b>	<b>2,516,130</b>	<b>5,646,223</b>	<b>42,154,762</b>
Shares issued during the half-year	-	-	-	-
Dividend paid	-	-	(1,098,271)	(1,098,271)
Dividend reinvestment	330,690	-	-	330,690
Share option exercise	1,409,000	-	-	1,409,000
Transfer from share option reserve	122,252	(122,252)	-	-
<b>Balance at 31 December 2014</b>	<b>35,854,351</b>	<b>2,393,878</b>	<b>4,547,952</b>	<b>42,796,181</b>

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

# Condensed Statement of Cash Flows for the half-year ended 31 December 2014

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Note		
<b>Cash flows from operating activities</b>		
Dividends received	1,616,397	1,166,189
Interest received	152,050	7,012
Management and performance fees paid	(1,021,269)	(421,707)
Directors' remuneration paid	-	(47,185)
Dividends paid - short sales	(47,160)	-
Other receipts	63,371	86,336
Other payments	(715,208)	(225,095)
<b>Net cash provided by operating activities</b>	<b>48,181</b>	<b>565,550</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of investments	(44,131,736)	(52,589,008)
Proceeds from sale of investments	45,744,384	52,760,360
<b>Net cash provided by investing activities</b>	<b>1,612,648</b>	<b>171,352</b>
<b>Cash flows from financing activities</b>		
Receipts from share issues	-	1,445,636
Receipts from underwritten dividend reinvestment plan	-	239,518
Dividends paid	(738,276)	(143,645)
Receipts from option exercise	1,409,000	133,200
Placement fees paid	-	(23,602)
<b>Net cash provided by financing activities</b>	<b>670,724</b>	<b>1,651,107</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,331,553</b>	<b>2,388,009</b>
Cash and cash equivalents at the beginning of the half-year	4,394,144	118,419
<b>Cash and cash equivalents at the end of the half-year</b>	<b>6,725,697</b>	<b>2,506,428</b>
<b>Non cash activities - reinvestments under dividend reinvestment plan</b>	<b>330,690</b>	<b>196,648</b>

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

## Notes to the Condensed Financial Statements

### General Information

Naos Emerging Opportunities Company Limited (the “Company”) is an Australian registered managed investment company listed on the Australian Securities Exchange (ASX: NCC). The Company was constituted on 6 November 2012 and commenced operations on 22 February 2013.

The registered office and principal place of business of the Company is Level 4, Domain House 139 Macquarie Street Sydney NSW 2000.

Naos Asset Management Limited is the investment manager of the Company. The financial statements were authorised for issue by the Directors on 25 February 2015.

### 1. Summary of Significant Accounting Policies

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

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

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

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

The condensed Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to shareholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described in note 2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

#### **b) Statement of Compliance**

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

## Notes to the Condensed Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### c) Details of reporting half-year

The current reporting period is the half year ended 31 December 2014. For the condensed Statement of Profit or Loss and Other Comprehensive Income, condensed Statement of Changes in Equity and the condensed Statement of Cash Flow, the previous corresponding period is the half-year ended 31 December 2013. For the condensed Statement of Financial Position, the previous corresponding date is 30 June 2014.

Certain amounts included in the prior year comparatives have been re-classified to confirm to the current year's presentation.

#### d) Share Option Reserve

The share option reserve is measured at the fair value of the Options at the date of issue. Subsequent to this date, the share option reserve is adjusted, with a corresponding entry to share capital, only on exercise of the Options by shareholders for the amount residing in the share option reserve relating to the Options exercised.

At the end of the Option periods (1 February 2015 and 1 August 2015), the amount relating to unexercised Options residing in the share option reserve, will be transferred to a capital reserve.

### 2. Adoption of New and Revised Accounting Standards

#### a) Standards and Interpretations affecting amounts reported in the current year (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current half - year and have affected the amounts reported in these financial statements.

##### AASB 1031 'Materiality'

- The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

##### AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'

- This standard addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 'Financial Instruments: Presentation' and clarifies the meaning of '*currently has a legally enforceable right of set-off*' and '*simultaneous realisation and settlement*'. As the Company does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the financial statements.

##### AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'

- This standard amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. As the Company does not have any investments in derivatives, the application of the amendments does not have any material impact on the financial statements.

##### AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'

- This standard provides an exemption from consolidation of subsidiaries under AASB 10 'Consolidated Financial Statements' for entities which meet the definition of an '*investment entity*', such as certain investment funds. Instead, such entities would measure their investment in a particular subsidiaries at fair value through profit or loss in accordance with AASB 9 'Financial Instruments' or AASB 139 'Financial Instruments: Recognition and Measurement'. The Company does not have any subsidiaries hence the application of the amendments does not have any material impact on the financial statements.

## Notes to the Condensed Financial Statements

## 3. Income

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Unrealised (losses)/gains on financial assets held at fair value through profit or loss	(2,712,502)	(302,175)
Realised gains on financial assets held at fair value through profit or loss	2,686,534	2,465,219
Interest income	152,210	20,537
Dividend income	1,616,397	1,166,189
Other income	-	7,500
<b>Total income</b>	<b>1,742,639</b>	<b>3,357,270</b>

## 4. Dividend Paid or Payable

	Date declared	Dividend rate (cents per share)	Total amount (\$)	% Franked
2014 Final dividend	20 November 2014	3.00	1,098,271	30%
			<b>1,098,271</b>	

## Half year ended 31 December 2013

	Date declared	Dividend rate (cents per share)	Total amount (\$)	% Franked
2013 Final dividend	27 August 2013	2.50	436,166	30%
			<b>436,166</b>	

## 5. Other Expenses

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Annual general meeting fees	1,386	1,386
Australian stock exchange fees	11,831	11,831
Auditor's remuneration	20,106	17,796
Brokerage fees	74,003	10,299
Custody fees	27,955	-
Insurance fees	18,557	12,261
Legal fees	-	7,266
Other fees	199,931	29,058
Registry fees	15,444	16,849
Tax fees	2,773	2,773
<b>Total other expenses</b>	<b>371,986</b>	<b>109,519</b>



## Notes to the Condensed Financial Statements

## 6. Investments in Financial Instruments

*(a) Financial assets at fair value through profit or loss*

	31 December 2014 \$	30 June 2014 \$
Investment in ordinary shares	36,731,367	43,009,857
Investment in unlisted convertible notes	795,000	1,230,000
<b>Total financial assets at fair value through profit or loss</b>	<b>37,526,367</b>	<b>44,239,857</b>

*(b) Financial liabilities at fair value through profit or loss*

	31 December 2014 \$	30 June 2014 \$
Investment in ordinary shares - short sales	-	6,334,600
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>6,334,600</b>

*(c) Disclosed fair values*

For all financial instruments their carrying value approximates fair value.

*(d) Fair Value Hierarchy*

AASB 13 ("Fair value Measurement") requires entities to provide disclosures in their financial report that enable users to evaluate the significance of financial instruments for the entity, and the nature and extent of risks arising from financial instruments to which the entity is exposed to. Below is an analysis of the financial instruments of the Company.

**Level 1:**

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

**Level 2:**

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

**Level 3:**

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

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

## Notes to the Condensed Financial Statements

## 6. Investments in Financial Instruments (continued)

## (d) Fair value hierarchy (continued)

## Financial Assets at Fair Value through Profit or Loss

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Listed equities	36,731,367	-	-	36,731,367
Convertible note	-	-	795,000	795,000
<b>Total financial assets designated at fair value through profit or loss</b>	<b>36,731,367</b>	<b>-</b>	<b>795,000</b>	<b>37,526,367</b>

	30 June 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Listed equities	43,009,857	-	-	43,009,857
Convertible note	-	-	1,230,000	1,230,000
<b>Total financial assets designated at fair value through profit or loss</b>	<b>43,009,857</b>	<b>-</b>	<b>1,230,000</b>	<b>44,239,857</b>

## Financial Liabilities at Fair Value through Profit or Loss

There are no financial liabilities designated at fair value through profit or loss as at 31 December 2014.

	30 June 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial liabilities</b>				
Listed equities - short sales	6,334,600	-	-	6,334,600
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>6,334,600</b>	<b>-</b>	<b>-</b>	<b>6,334,600</b>

There were no transfers between levels 1, 2 and 3 during the year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

## Valuation techniques used to derive level 1, level 2 and level 3 fair values

## Level 1

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 31 December 2014 the Company had \$36,731,367 (30 June 2014: \$43,009,857) financial assets held at fair value through profit or loss included in level 1. As at 31 December 2014 the Company also had \$ nil (30 June 2014: \$6,334,600) financial liabilities held at fair value through profit or loss included in level 1.

## Level 2

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 31 December 2014 the Company had \$ nil (30 June 2014: \$ nil) financial instruments in level 2.

## Notes to the Condensed Financial Statements

6. Investments in Financial Instruments (*continued*)(d) Fair value hierarchy (*continued*)

## Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31 December 2014 the Company had \$795,000 (30 June 2014: \$1,230,000) financial assets held at fair value through profit or loss included in level 3.

In terms of the fair value hierarchy the convertible note is categorised as Level 3 given that it is not traded in an active market and is being measured using valuation techniques which include market data inputs that are not observable.

For the purposes of the Corporations Act and all other purposes, the Board of Directors resolved that the calculation of the fair value of the holding in the secured convertible note is as follows. The note receives a 12% interest payment, payable at the end of June (either in cash or by way of script at a 15% discount to the volume weighted average price of the shares) and also has the option to be converted into ordinary shares at any time at 50 cents per share, based on the value of the note, inclusive of any interest. For the purposes of producing a monthly NTA and the preparation of statutory financial reports, the Board of Directors resolved to calculate the value of the note based on the total value of the accrued interest and bid price on the last trading day of the shares. This is due to the illiquidity in the listed shares and a preference to price the note conservatively.

Differences may arise primarily due to short-term changes in the markets assessment of the credit risk of the underlying Company. The higher the value of underlying ordinary shares the higher would be the fair value of the convertible note.

**Reconciliation level 3 fair values**

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

	Half-year ended 31 December 2014 \$	Year ended 30 June 2014 \$
Opening balance	1,230,000	880,000
Purchase of investments	-	509,071
Unrealised losses on financial instruments held at fair value through profit or loss	(345,000)	(159,071)
Conversion to ordinary shares	(90,000)	-
<b>Closing balance</b>	<b>795,000</b>	<b>1,230,000</b>
<b>Total losses for the half-year included in the Statement of Profit or Loss and Other Comprehensive Income at the end of the half-year</b>	<b>(815,000)</b>	<b>(470,000)</b>

## 7. Issued Capital

The company has maximum authorised number of shares of 50,000,000. Issued shares do not have a par value.

	31 December 2014		30 June 2014	
	No. of shares	\$	No. of shares	\$
Issued and paid up capital - Ordinary shares	36,950,270	35,854,351	35,226,053	33,992,409

## Notes to the Condensed Financial Statements

## 7. Issued Capital (continued)

## Movements in Ordinary Share Capital

Date	Details	No. of shares	Issue price \$	\$
01 July 2013	Opening balance	17,313,439	0.907	15,700,572
	Share placement fees	-		(23,541)
	Ordinary shares issued	1,200,000	1.130	1,356,000
	Dividend reinvestment	412,684	1.057	436,166
	Share option exercise	133,200	1.000	133,200
	Share option reserve			(154,042)
31 December 2013	Closing balance	19,059,323		17,448,355
01 July 2014	Opening balance	35,226,053	0.965	33,992,409
	Share option exercise (Listed options \$1.00 Exp 1 Feb 2015)	1,374,000	1.000	1,374,000
	Share option exercise (Listed options \$1.13 Exp 1 Aug 2015)	30,974	1.130	35,000
	Dividend reinvestment	319,243	1.036	330,690
	Share option reserve			122,252
31 December 2014	Closing balance	36,950,270		35,854,351

## 8. Reserves

## a) Retained Earnings

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Opening balance	4,582,992	1,107,808
Net profit attributable to members of the Company	1,063,231	2,419,781
Dividends paid	(1,098,271)	(436,166)
Balance at the end of the half-year	4,547,952	3,091,423

## b) Share Option Reserve

The movement in the share option reserve is detailed below:

	Half-year ended 31 December 2014 \$	Half-year ended 31 December 2013 \$
Opening balance	2,516,130	1,486,649
Options attached to ordinary shares issued during the period	-	165,479
Share option exercise	(122,252)	(11,437)
Balance at the end of the half-year	2,393,878	1,640,691

## Notes to the Condensed Financial Statements

### 9. 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.

### 10. Commitments and Contingencies

There are no commitments or contingencies at 31 December 2014 (30 June 2014: \$ nil).

### 11. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the 2014 annual financial report. In addition, during the half-year, no amount was paid to the key management personnel.

### 12. Subsequent Events

On 25 February 2015, the Company declared a fully franked interim dividend for the half-year ended 31 December 2014 of 3.25 cents per share.

There has been no matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## Directors' Declaration

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

In the opinion of the Directors:

- the financial statements and notes are in accordance with the Corporations Act 2001 including compliance with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company for the financial half-year ended 31 December 2014; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Sebastian Evans

25 February 2015

## Corporate Information

### Directors

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

### Company Secretary

Lawrence Adams

### Registered Office

Level 4, Domain House  
139 Macquarie Street  
Sydney NSW 2000  
Telephone: (02) 8064 0568  
Facsimile: (02) 8215 0037

### Investment Manager

NAOS Asset Management Limited  
Level 4, Domain House  
139 Macquarie Street  
Sydney NSW 2000  
(Australian Financial Services Licence Number: 273529)  
Telephone: (02) 8064 0568  
Facsimile: (02) 8215 0037

### Share Registry

Boardroom Pty Limited  
7/207 Kent Street  
Sydney NSW 2000  
Telephone: 1300 737 760  
Facsimile: 1300 653 459

### Auditor

Deloitte Touche Tohmatsu  
Level 25, Grosvenor Place  
225 George Street  
Sydney NSW 2000