

NAOS ABSOLUTE OPPORTUNITIES
COMPANY LIMITED

Level 4, Domain House
139 Macquarie Street
Sydney NSW 2000
ABN 49 169 448 837 AFSL 273529

T (02) 9947 2566
F (02) 8215 0037
E enquiries@naos.com.au
www.naos.com.au

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NAOS Absolute Opportunities Company Limited

ASX Codes : NAC
: NACO

ACN : 169 448 837

Appendix 4E

Results Announcement for the period from 8 May 2014 to 30 June 2015

	\$	up/down	% change
Revenue from ordinary activities	2,465,131	Up	100%
Profit from ordinary activities before tax attributable to members	1,498,220	Up	100%
Profit from ordinary activities after tax attributable to members	1,111,350	Up	100%
	Cents per share	Franked amount per share	Tax rate for franking
Dividend Information			
2015 Interim dividend	-	-	-
2015 Final dividend	2.00	2.00	30%
Final Dividend Dates			
Ex-dividend date			21 October 2015
Record date			23 October 2015
DRP election date			26 October 2015
Payment date			13 November 2015
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 2 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.			
			30 June 2015
			\$
(Post Tax) Net tangible asset backing			1.052
This report is based on the 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 4.3A.			

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NAOS ABSOLUTE OPPORTUNITIES
COMPANY LIMITED

Annual Report 2015

Report for the financial period
from 8 May 2014 to 30 June 2015





Our objective is to provide investors with a simple way to access the most attractive, long term, investment opportunities across multiple asset classes both from Australia and abroad, in a long/short “alternative” portfolio structure.

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Annual General Meeting

AGM to be held at 12.00pm (AEST)
on Thursday 19th November 2015
at Taylor Collison, Level 10,
167 Macquarie Street, Sydney NSW 2000.

THE COMPANY

NAOS Absolute Opportunities Company Limited is a listed investment company and its shares are listed on the Australian securities Exchange (ASX: NAC).

OBJECTIVE

The Company was listed on 12 November 2014. The objective of the Company is to invest in a select number of Australian and International (Developed Markets) equity, fixed income and currency securities (both listed and unlisted). The strategy is implemented via a high conviction (typically 0-30 holdings), long/short approach with the primary focus being on the generation of positive absolute returns and mitigating the risk of permanent loss of shareholder capital. Portfolio construction is carried out in a benchmark unaware manner, resulting in the returns generated bearing a low correlation to those of broader investment markets.

BENCHMARK

The Company compares its performance with the Reserve Bank of Australia Cash Target Rate plus 250 basis points (the "Benchmark") subject to a High Watermark Cap.

INVESTMENT MANAGER

The Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence Number 273529) (the "Investment Manager").

CAPITAL STRUCTURE

The Company's capital structure comprises Ordinary Shares with attaching options on a three for four basis which are exercisable at \$1.00 on or before 30 November 2016.

In addition to the three options attached to every four shares subscribed under the initial public offering, the Company issued the Investment Manager with 0.25 options for every dollar raised in the capital transaction. Options were issued in exchange for the Investment Manager bearing all costs associated with raising

the capital. The Company successfully raised \$21,500,000 through the initial public offering, resulting in 5,375,000 options issued to the Investment Manager. Options have the same terms and conditions as those options attached to ordinary shares except that options issued to the Investment Manager are subject to escrow for 12 months from the date of listing.

The attaching options are listed on the Australian Securities Exchange (ASX: NACO).

RISK

The Company invests in listed investments and derivatives (i.e. contracts for differences) both domestically and offshore through a long/short structure. The value of the shares and the income derived may fall or rise depending on a range of factors. Refer to Section 4 of the Prospectus of the Company and Note 17 of this financial report.

MANAGEMENT AGREEMENT

The Company has an agreement with NAOS Asset Management Limited for the provision of management services, details of which are contained at Note 16.

Total Assets and Net Tangible Assets ("NTA")	30 June 2015 (\$)
Total assets	36,474,149
Undiluted NTA per share (pre-tax)	1.070
Undiluted NTA per share (post-tax)	1.052
Diluted NTA per share (pre-tax)	1.070
Diluted NTA per share (post-tax)	1.052

INFORMATION ABOUT THE INVESTMENT MANAGER

The Investment Manager of the Company is NAOS Asset Management Limited (NAOS).

NAOS was established in 2005 as a boutique long/short Australian equities investment manager.

Currently NAOS focuses on providing investors with niche product offerings, in asset classes and sub-sectors where they often lack the time, resources or expertise to research and invest in themselves.

NAOS adopts a high conviction, value driven, long/short approach to investing. The investment team looks to realise value over the medium to long term by sourcing, selecting and combining investment opportunities that present the

greatest opportunities for shareholders to realise positive absolute returns in the form of capital growth and income generation over the long term.

All NAOS investment products have an absolute return focus. As such, in implementing the strategy for the Company, the team places a primary focus on mitigating the risk of permanent loss of capital and assessing each investment opportunity on the basis of its potential for value add in the portfolio. Given the approach adopted, it is unlikely that the performance of the Company's investment portfolio will present a high correlation to broader investment market movements.

NAOS believes there should always been a significant alignment of interests between the managers of investments and shareholders. As such, in undertaking the implementation of the investment strategy for the Company, the investment team seeks only to invest in businesses that are led by proven management teams with a clear alignment of interests to those of shareholders. Furthermore, NAOS Directors and employees are significant investors in the vehicles they manage.

Further information about NAOS can be found at www.naos.com.au.



SEBASTIAN EVANS

Director

Sebastian Evans has been a Director of the Company since inception. He was appointed as Director on 8 May 2014. Sebastian Evans is a Director for NAOS Emerging Opportunities Company Limited and the Managing Director of the Investment Manager. He is also the Portfolio Manager of NAOS Absolute Opportunities Company and NAOS Emerging Companies Long Short Equity Fund. Prior to this he was an Investment Analyst at the Investment Manager, focusing on emerging companies. He holds a Masters of Applied Finance majoring in Investment Management as well as a Bachelor's Degree in Commerce, majoring in Finance and International Business. He also holds a Diploma in Financial Services and is RG146 Competent. Sebastian is currently completing an Executive Masters of Business Administration (E) MBA from the Australian Graduate School of Management (AGSM/UNSW).

WARWICK EVANS

Director

Warwick Evans has been a Director of the Company since inception. He was appointed as Director on 8 May 2014. Warwick Evans has over 35 years of equity markets 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 also the founding Chairman and CEO of the Newcastle Stock Exchange (NSX). He is also a Director for NAOS Emerging Opportunities Company Limited. He was also the Chairman of the Australian Stockbrokers Association. Prior to these positions he was an Executive Director at County NatWest. Warwick holds a Bachelor's Degree in Commerce majoring in Economics from the University of New South Wales.

DAVID RICKARDS

Independent Chairman

David has been a Director and Chairman of the Company from 8 May 2014. 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. He is also a former Director and Treasurer at Bush Heritage Australia, a Director for NAOS Emerging Opportunities Company Limited and a Consultant at Barra International. David holds a Masters of Business Administration majoring in Accounting and Finance from the University of Queensland as well as two Bachelor degrees, one in Engineering (Civil and Structural) from the University of Sydney, and a Bachelor's Degree in Science (Pure Mathematics and Geology).

FINANCIAL RECORD

Net Tangible Assets	30 June 2015
Undiluted NTA per share (pre-tax)	\$1.070
Undiluted NTA per share (post-tax)	\$1.052
Diluted NTA per share (pre-tax)*	\$1.070
Diluted NTA per share (post-tax)*	\$1.052
Share price (mid)	\$0.925
Option price (expiring 30 November 2016)	\$0.023
Option price (1 August 2015)	N/a

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2015 Interim dividend	–	–	–
2015 Final dividend	2.00	2.00	30%

Final Dividend Dates

Ex-dividend date	21 October 2015
Record date	23 October 2015
Payment date	13 November 2015

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 2 cents per share qualifies. The plan will be in effect as per the latest dividend reinvestment rules.

* In the calculation of diluted NTA per share, options expiring on 30 November 2016 are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

Portfolio Performance

	1 Month (%)	3 Month (%)	6 Month (%)	Since Inception (Nom. %)
NAC Portfolio Performance	-1.51	+3.74	+10.49	+9.24
RBA Cash Rate + 250bps	+0.39	+1.18	+2.49	+3.21
S&P/ASX All Ordinaries Accumulation Index (XAOAI)	-5.40	-6.25	+3.32	+2.54

*Past performance is not an indicator of future returns. Performance is shown is post all operating expenses but before fees and taxes.



The Board would like to welcome all shareholders to the inaugural Annual Report for the NAOS Absolute Opportunities Company Limited (NAC). NAC raised \$21.5 million dollars through an IPO process in October 2014 and, through the subscription process, the Company offered shareholders a three-for-four free attaching option (NACO). Shares in the new Company began trading on the ASX as at 12 November 2014.

For the period since trading of NAC shares commenced to 30 June 2015, the Company has reported an after-tax profit of \$1,111,350. Profit was generated as a result of positive performance in the Company's investment portfolio, specifically from the portfolio's exposure to US dollars and holdings in Sirtex Medical, iSelect, Moleskine, Aeracap and Amalgamated Holdings.

The Company has now generated an annualised yield to investors of 4.44%, fully franked based on the 2 cents per share dividend declared in this financial report.

Whilst the number of shareholders on the register remained fairly constant over the period, shareholder equity in the Company has grown by 5.17% over the period. This growth is solely attributed to strong investment portfolio performance. An increase in the size of the asset pool is accretive to equity holders as it provides increased liquidity and increased scope for the manager to capitalise on investment opportunities. It also leads to greater efficiency in relation to administration costs as a percentage of assets.

The Company seeks to pay a minimum dividend of 4% per annum, to be paid on a semi-annual basis. The Board has adopted a policy to pay the dividends out of income generated, rather than capital, and to frank the earnings to the extent that it is prudent to do so.

The Company has a dividend reinvestment plan (DRP) in place. The process adopted by the Company with regard to its DRP is to buy shares in the market to allocate to investors rather than to issue stock. We seek to support shareholder value in this way.

For the period since commencement of operations, to 30 June 2015 (seven months), the portfolio returned +9.24%, outperforming the stated

benchmark (RBA Cash Rate + 250 Basis Points) by +6.03%. This strong performance was derived as a result of the investment team's implementation of the Company's investment strategy and pleasingly the downside volatility in achieving this return has been such that the return has provided attractive risk adjusted returns to investors. The strategy for the portfolio seeks, first and foremost, to generate positive absolute returns, with a focus on mitigating the risk of capital loss. It aims to achieve this by adopting a long-term, value-based approach and investing in a range of asset classes in the Australian and International markets.

The Board and Investment Manager maintain a clear alignment of interests with shareholders, through ownership of shares and options in the Company. All Directors of the Company were net acquirers of shares through the financial year 2015.

The Board wishes to thank all those who supported the Company during the IPO process and those who have become new shareholders during the 2015 Financial Year.

David Rickards
Chairman
26 August 2015



FINANCIAL YEAR IN REVIEW

The benefit of managing a global, multi asset class portfolio is that it allows you to capitalise on key themes playing out across the broader investment landscape.

Whilst domestically we witnessed a marked slowdown in the economy, characterised by falling interest rates, higher unemployment and waning business and consumer confidence, we started to see continued signs of economic recovery coming from the US and some areas of Europe over the course of FY15.

In the US, key economic data continued to improve. Jobless rates hit lows not seen since 1973 and job openings reached the highest on record in May 2015. The key question on investors' minds at the time of writing remained "when will the Fed increase rates and how significant will the flow-on effect be"? Whilst a rate rise has been predicted for September, the Federal Open Market Committee remains aware of the primary risk associated with raising rates too early; namely, hampering growth too aggressively thereby pushing the US economy back into recession.

In the EU, slowly expanding private consumption was constant in driving growth over the period. The economy was also supported in terms of the export sector by falling oil prices and a depreciating Euro. The ECB's continuing stance to support its QE program over the foreseeable future led to a strong rally in European Bond Yields. Once again we witnessed a "blow up" in relation to the Greek debt crisis, with calls for Greece to exit the Eurozone and a national referendum in Greece held to affirm the position of the people in relation to the terms being offered by the IMF. The Financial Year rolled over with terms of yet another funding round agreed.

At the close of the period we witnessed a significant sell-off in major Chinese equity markets. Even with Government intervention, which saw approximately half of those companies listed on the Shanghai exchange put into trading halt which resulted in severe restrictions being imposed on those (institutions) buying and selling shares, the index continued to lose significant value to close the year. The risk of such a sharp sell-off and continued decline in the Chinese equity markets is that it reflects more widespread systemic economic issues.

We believe that while the US remains the most likely economy to lead any form of global growth and continued recovery over the short to medium term, its ability to do so will be significantly hampered by events transpiring in China and to a lesser extent, Greece. As such, we believe economic growth across the region will remain sluggish for the foreseeable future,

with "pockets" of opportunity arising intermittently. In this context and with the flexibility of the Company's multi asset class investment strategy in hand, the investment team will continue to execute the investment strategy for the Company moving forward.

PORTFOLIO PERFORMANCE

The investment strategy for the NAOS Absolute Opportunities Company Limited was designed and is implemented on the basis of four key principles:

1. Global, multi asset class exposure;
2. A focus on positive absolute returns;
3. The ability to hold +100% in cash; and
4. To be a long-term, value-based investor.

The implementation of the above strategy pleasingly produced good returns.

The NAC investment portfolio posted a positive return from inception (12 November 2014) to 30 June 2015 of +9.24% whilst the portfolio's benchmark return (RBA Cash Rate + 250 basis points) over the period was +3.21%, resulting in an outperformance of +6.03%.

Positive contribution to portfolio performance was spread across a range of securities and asset classes. We generated positive portfolio performance from both long and short positions in equity and fixed income investments (such as US 10-year treasury bonds) and have also created value through our currency positions (for example, our early exposure to USD via an ETF resulted in a positive gain of almost +5% to the portfolio's total return for the period).

The NAC investment portfolio adopts a concentrated (0-30 holdings) approach to generating positive absolute returns. Investment ideas are implemented in a manner which supports the generation of returns that bear low correlation to broader equity market moves. With this in mind, we seek out opportunities which, on a stand-alone basis, make for attractive investment opportunities. Whilst this means that the portfolio may not participate in any significant upswing in market movements, it should result in a portfolio with enhanced market risk (downside) protection.

The NAOS team thanks shareholders for their initial and continued support.

Sebastian Evans
Managing Director/Portfolio Manager
NAOS Asset Management Limited

To ensure the Company operates effectively and in the best interests of shareholders, the Board 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 Company has adopted the ASX Corporate Governance Principles and Recommendations with 2010 Amendments for the 2015 financial year, subject to the exceptions noted below.

RESPECTIVE ROLES OF THE BOARD AND MANAGEMENT

These are covered under Recommendations 1.1 to 1.3 of Principle 1 (*Lay a solid foundation of oversight*).

The Company has a Board but no full-time employees. The Investment Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio. Under the Management Agreement, the Investment Manager has discretion to acquire and dispose of investments on behalf of the Company. Investments consistent with the investment strategy may be undertaken without consultation with the Board. For any proposed investment that falls outside the investment strategy, the Investment Manager requires prior approval from the Board, which the Board may withhold at its absolute discretion. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives under Recommendations 1.1, 1.2 and 1.3.

The role of the Board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

- Overseeing and monitoring the performance of the Investment Manager's compliance with the Management Agreement;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Approving the annual financial statements and related reports and other communications to the ASX and shareholders; and
- Setting appropriate business standards and codes for ethical behaviour.

STRUCTURE OF THE BOARD

This is covered under Recommendations 2.1 to 2.6 of Principle 2 (*Structure the Board to add value*).

The skills, experience, expertise relevant to the position and term of office of each Director who is in office at the date of the Annual Report are detailed on page 3.

The Board has one independent Director and two non-independent Directors. David Rickards is the Director that is considered to be independent because he has no direct involvement in the management of the portfolio and he is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of his judgement. David Rickards is also the Chairman.

A diversity policy has not been established because the Company wishes to maintain a small Board in order to minimise costs and increase shareholder returns; however, under Recommendations 3.2 to 3.5, diversity would be considered if a Board vacancy were to arise in the future. In the event of a vacancy arising, the Board will identify the candidates with an appropriate mix of skills, whilst being mindful of the need for diversity of age, gender and ethnicity.

It is the Board's policy that any committees established by the Board should be entitled to obtain independent professional or other advice at the cost of the Company unless the Board determines otherwise.

Given the size of the Board, a Nomination Committee has not been formed under Recommendation 2.4. The Board believes that the formation of such a committee would be inefficient given the nature and size of the Company. It would not serve to protect or enhance the interests of the shareholders. The Board will deal with this issue as a whole. Should the size of the Company change, the Board will consider establishing a separate nomination committee.

The Board reviews its performance by discussions, individual communication with the Chairman and by reference to generally accepted Board performance standards.

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION MAKING

This is covered under Recommendations 3.1 to 3.5 of Principle 3 (*Promote ethical and responsible decision making*).

The Company has adopted a formal code of conduct. This is incorporated in the Company's Corporate Governance Charter (www.naos.com.au). The Company requires all its Directors to comply with the standards of behaviour and business ethics in accordance with the law and the code of conduct. These include acting honestly and with integrity and fairness in all dealings with others and each other, managing conflicts of interests, complying with the laws that govern the Company's business and its operations and acting ethically in their approach to business decisions.

As the Company has no full-time employees and given the size of the Board, a diversity policy has not been established under Recommendations 3.2 to 3.5. The Board determines the appropriate policy concerning diversity. This policy includes a recommendation as to whether it is appropriate for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually.

INTEGRITY IN FINANCIAL REPORTING

This is covered under Recommendations 4.1 to 4.4 of Principle 4 (*Safeguard integrity in financial reporting*).

An Audit Committee has not been established under Recommendation 4.1 because the Board believes that the formation of such a committee would be inefficient given the nature and size of the Company. It would not serve to protect or enhance the interests of the shareholders. The Board will deal with this issue as a whole. Should the size of the Company change, the Board will consider establishing a separate audit committee. Consequently, there is no need to disclose information under Recommendations 4.2 to 4.3.

ASX LISTING RULE COMPLIANCE

This is covered under Recommendations 5.1 to 5.2 of Principle 5 (*Make timely and balanced disclosure*).

The Company operates under the continuous disclosure requirements of the ASX Listing Rules as set out in its Continuous Disclosure Policy

(www.naos.com.au). The Company ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to the material information concerning the Company.

The Company Secretary has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given its size and the nature of the Company.

RIGHTS OF SHAREHOLDERS

This is covered under Recommendations 6.1 to 6.2 of Principle 6 (*Respect the rights of shareholders*).

The Board has developed a strategy within its Continuous Disclosure Policy (www.naos.com.au) to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes having a website to facilitate communication with shareholders via electronic methods. In addition the Company publishes regular shareholder communications, such as half-yearly and annual reports, and provides shareholders with an opportunity to access such reports and other releases electronically.

The Board encourages full participation of shareholders at the Company's annual general meetings and any general meetings to ensure a high level of accountability and identification with the Company's strategy. The external auditor is also invited to the annual general meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report.

RISK MANAGEMENT

This is covered under Recommendations 7.1 to 7.4 of Principle 7 (*Recognise and manage risk*).

Due to the size of the Company, the responsibility for the effectiveness of risk management and internal compliance and control will rest with the Board. The Board will liaise with and oversee the application by the Investment Manager of the risk management protocols. Consequently the Company has not complied with Recommendation 7.1.

As a small Company, the Board works closely with the Investment Manager to identify and manage operational, financial and compliance risks which could prevent the Company from achieving its objectives.

The Investment Manager is responsible for preparing the declaration pursuant to Section 295A of the Corporations Act as the Company does not have a chief executive officer (or equivalent) or a chief financial officer (or equivalent). Accordingly, the Board seeks to procure that the Investment Manager puts in place sound systems of risk management and financial controls and ensure that the systems are operating effectively in all material respects.

FAIR REMUNERATION

This is covered under Recommendations 8.1 to 8.4 of Principle 8 (*Remunerate fairly and responsibly*).

A Remuneration Committee has not been established under Recommendation 8.1 because the Board believes that the formation of such a committee would be inefficient given the nature and size of the Company. It would not serve to protect or enhance the interests of the shareholders. The Board will deal with this issue as a whole. Should the size of the Company change, the Board will consider establishing a separate Remuneration Committee. Consequently, the Company has not complied with Recommendations 8.1 and 8.2.

The Company does not have any executive Directors or senior executives. The remuneration of all the Non-Executive Directors is disclosed in the Prospectus and in Note 14 of this financial report.

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DIRECTORS' REPORT

The Directors of NAOS Absolute Opportunities Company Limited ACN 169 448 837 ("the Company"), submit their report for the Company for the period from 8 May 2014 to 30 June 2015.

COMPANY INFORMATION

Directors and Officers

The names of the Directors of the Company, in office from 8 May 2004 and up to the date of this report are:

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

Further details regarding the Directors' qualifications and experience are set out on page 3 of the annual report.

MEETINGS OF DIRECTORS

The following table shows the number of Board meetings held during the financial period from 8 May 2014 to 30 June 2015.

	Period from 8 May 2014 to 30 June 2015	
	Eligible to attend	Attended
Mr David Rickards (Chairman)	14	14
Mr Warwick Evans (Director)	14	14
Mr Sebastian Evans (Director)	14	14

INTERESTS IN SHARES OF THE COMPANY

As at the date of this report, the relevant interests of the Directors and their related parties in the shares of the Company were:

	30 June 2015 Relevant interests (Shares)
Mr David Rickards (Chairman)	301,920
Mr Warwick Evans (Director)	600,000
Mr Sebastian Evans (Director)	138,552

INTEREST IN OPTIONS OF THE COMPANY

As at the date of this report, the relevant interests of the Directors and their related parties in the options of the Company were:

	Relevant interests (Options)
Mr David Rickards (Chairman)	150,000
Mr Warwick Evans (Director)	375,000
Mr Sebastian Evans (Director)	5,478,892*

* 5,375,000 escrowed

OTHER DIRECTORSHIPS

All the Directors are currently Directors of NAOS Emerging Opportunities Company Limited.

Sebastian Evans and Warwick Evans are currently the Directors of NAOS Asset Management Limited.

PRINCIPAL ACTIVITIES

The Company was established on 8 May 2014 to invest primarily in listed investments both domestically and offshore through a long/short structure that can produce positive absolute returns through the cycle with a lower correlation to general equity market movements. The Company can invest in unlisted instruments from time to time.

REVIEW OF OPERATIONS

Results

Please refer to the Investment Manager's report on page 6 regarding the performance of the Company.

The results of the operations of the Company are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The results and dividends for the period from 8 May 2014 to 30 June 2015 were as follows:

	Period from 8 May 2014 to 30 June 2015 \$
Profit before income tax	1,498,220
Income tax expense	(386,870)
Profit for the period	1,111,350
Profit for the period attributable to members	1,111,350

Dividends Paid or Payable

No dividends were paid or declared during the period from 8 May 2014 to 30 June 2015. For dividends declared post period end please refer to Note 20.

Net Assets

As at 30 June 2015, the net assets of the Company were:

	30 June 2015 \$
Net assets at fair value	22,611,350
Undiluted NTA per share (pre-tax)	1.070
Undiluted NTA per share (post-tax)	1.052
Diluted NTA per share (pre-tax)	1.070
Diluted NTA per share (post-tax)	1.052

In the calculation of diluted NTA per share, options expiring on 30 November 2016 are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the year did not exceed the exercise price of the options.

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 18 August 2015, the Company declared a fully franked dividend of 2 cents per share.

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

DIRECTORS' REPORT

Continued

Likely Developments

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 26 September 2014.

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 period, 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 period, 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.

REMUNERATION REPORT

The Directors of the Company present the Remuneration Report to shareholders. The report is a requirement under section 300A (1) of the Corporations Act 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).

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

Remuneration of Directors

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

Payments to Non-Executive Directors reflect the demands and responsibilities of their roles and are reviewed annually by the Board. The Company determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are set at a maximum of \$100,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities. The maximum fees paid to Non-Executive Directors may not be increased without approval from the Company at a general meeting.

The results for the period and key indicators of the financial performance are disclosed in the following table:

	Period from 8 May 2014 to 30 June 2015 \$
Income	2,465,131
Net profit before tax	1,498,220
Net profit after tax	1,111,350
Share price at the start of the period (mid)	1.0000
Share price at the end of the period (mid)	0.9250
Interim dividend	–
Final dividend ¹	2.00 cents
Basic earnings per share	5.17 cents
Diluted earnings per share	5.17 cents

1. Fully franked, declared after the end of the reporting period.

Directors' remuneration received for the period from 8 May 2014 to 30 June 2015 is disclosed below:

	Short-term employee benefits Director's fees \$	Post- employment benefit Superann- uation \$	Total \$
30 June 2015			
Mr David Rickards (Chairman)	17,343	1,561	18,904
Mr Warwick Evans (Director)	5,781	520	6,301
Mr Sebastian Evans (Director)	–	–	–
	23,124	2,081	25,205

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

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (CONTINUED)

During the financial period from 8 May 2014 to 30 June 2015, the relevant interests of the Directors and their related parties in the shares of the Company were:

Ordinary shares Period from 8 May 2014 to 30 June 2014	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance No of shares
Mr David Rickards (Chairman)	–	301,920	–	301,920
Mr Warwick Evans (Director)	–	600,000	–	600,000
Mr Sebastian Evans (Director)	–	138,552	–	138,552

NON-AUDIT SERVICES

No non-audit services were provided during the period. Refer to Note 12 of this financial report for details of auditor remuneration.

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 98/100. 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 15. This Directors' Report is signed in accordance with a resolution of Directors of the Company made pursuant to Section 298 (2) of the Corporations Act 2001.



Sebastian Evans
Director
26 August 2015

Deloitte.

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

26 August 2015

Dear Directors,

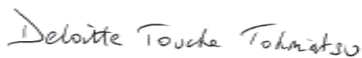
NAOS Absolute Opportunity Company Limited

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 Absolute Opportunity Company Limited.

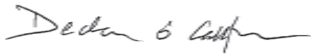
As lead audit partner for the audit of the financial statements of NAOS Absolute Opportunities Company Limited for the financial period ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Declan O'Callaghan
Partner
Chartered Accountants

Deloitte.

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

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of NAOS Absolute Opportunities Company Limited which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the period 8 May 2014 to 30 June 2015, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 18 to 39.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 Absolute Opportunities Company Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of NAOS Absolute Opportunities Company Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the period 8 May 2014 to 30 June 2015; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

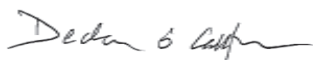
We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the period 8 May 2014 to 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of NAOS Absolute Opportunities Company Limited for the period 8 May 2014 to 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 26 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM 8 MAY 2014 TO 30 JUNE 2015

	Note	Period from 8 May 2014 to 30 June 2015 \$
Income	3	2,465,131
Expenses		
Interest expense		(94,420)
Dividend expense on short sales		(109,164)
Management fees	16	(252,829)
Performance fees	16	(209,618)
Administration fees		(21,525)
Directors' remuneration		(25,205)
Australian stock exchange fees		(17,644)
Auditor's remuneration		(27,000)
Custody fees		(38,977)
Insurance fees		(5,229)
Registry fees		(8,808)
Other expenses	4	(156,492)
Profit before income tax expense		1,498,220
Income tax expense	5	(386,870)
Profit for the period attributable to shareholders of the Company		1,111,350
Other comprehensive income		-
Total comprehensive income for the period attributable to shareholders of the Company		1,111,350
Basic earnings per share	18	5.17
Diluted earnings per share	18	5.17

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 June 2015 \$
Assets		
Cash and cash equivalents	13	7,915,978
Trade and other receivables	7	1,077,824
Financial assets at fair value through profit or loss	8	27,394,915
Deferred tax assets	5 (c)	85,432
Total assets		36,474,149
Liabilities		
Bank overdraft	13	3,880,657
Trade and other payables	9	5,032,889
Financial liabilities at fair value through profit or loss	8	4,476,951
Provision for income tax		390,218
Deferred tax liabilities	5 (d)	82,084
Total liabilities		13,862,799
Net assets		22,611,350
Equity		
Issued capital – ordinary shares	10	19,633,800
Share option reserve	11 (b)	1,866,200
Retained earnings	11 (a)	1,111,350
Total equity		22,611,350

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

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 8 MAY 2014 TO 30 JUNE 2015

	Issued capital \$	Share option reserve \$	Retained earnings \$	Total \$
Balance at 8 May 2014	–	–	–	–
Profit for the period	–	–	1,111,350	1,111,350
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	–	1,111,350	1,111,350
Shares issued during the period	19,633,800	–	–	19,633,800
Options attached to ordinary shares issued during the period	–	1,866,200	–	1,866,200
Balance at 30 June 2015	19,633,800	1,866,200	1,111,350	22,611,350

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 8 MAY 2014 TO 30 JUNE 2015

	Note	Period from 8 May 2014 to 30 June 2015 \$
Cash flows from operating activities		
Dividends received		308,909
Dividend expenses paid on short sales		(44,469)
Interest received		266,363
Interest paid		(83,199)
Management and performance fees paid		(200,699)
Directors' remuneration paid		(25,205)
Administration fees paid		(15,750)
Australian stock exchange fees paid		(3,655)
Auditor's remuneration paid		(8,085)
Custody fees paid		(33,977)
Insurance fees paid		(78,917)
Registry fees paid		(7,324)
Brokerage fees paid		(46,204)
Professional fees paid		(38,003)
General fund expenses paid		(109,276)
Net cash used in operating activities	13 (b)	(119,491)
Cash flows from investing activities		
Payments from purchase of investments		(98,655,175)
Proceeds from sale of investments		81,309,288
Net cash used in investing activities		(17,345,887)
Cash flows from financing activities		
Receipts from share issues		21,500,000
Net cash provided by financing activities		21,500,000
Net increase in cash and cash equivalents		4,034,622
Changes in cash and cash equivalents due to foreign exchange movements		699
Cash and cash equivalents at the beginning of the period		—
Cash and cash equivalents at the end of the period	13 (a)	4,035,321
Non-cash activities – Dividend reinvestment		—

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

GENERAL INFORMATION

NAOS Absolute Opportunities Company Limited (the "Company") is an Australian registered managed investment Company listed on the Australian Securities Exchange (ASX: NAC). The Company was constituted on 8 May 2014 and commenced operations on 12 November 2014.

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

NAOS Assets Management Limited is the investment manager for the Company. The financial statements were authorised for issue by the Directors on 26 August 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

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

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

The 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 financial liabilities at fair value through profit or loss and net assets attributable to shareholders.

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.

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

b) 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 AASB and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (the "IASB").

c) Reporting Currency

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

d) Going Concern Basis

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

e) 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) do not include interest or dividend income.

Dividends

Dividend income is recognised on the ex-dividend date with the 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.

f) Cash and Cash Equivalents

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

g) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 "Financial Instruments: Presentation", are categorised in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial period end.

i) Classification

Company investments are classified at fair value through profit or loss when the financial asset or liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and it has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or liability other than a financial asset or liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy; or

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 “Financial Instruments: Recognition and Measurement” permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

The Company may sell securities short in anticipation of a decline in fair value of that security. When the Company sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. At the reporting date, the liability for the obligation to replace the borrowed security is valued at the net fair value. The Company pays a security borrowing fee for short sales which are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis. Additionally it is required to pay any dividend forgone by stock lenders in respect of borrowed securities. These are included in the Statement of Profit or Loss and Other Comprehensive Income as dividend expense on short sales.

ii) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date that it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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.

iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

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.

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

The fair value of financial assets and

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

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

h) Expenses

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

i) 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 (e) above. Receivables include such items as Reduced Input Tax Credits (“RITC”).

j) 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.

k) Taxation

The income tax expense comprises current and deferred tax.

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively 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, and 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

m) Foreign Currency Transactions

Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

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) 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 period (30 November 2016), the amount relating to unexercised Options residing in the share option reserve will be transferred to retained earnings.

p) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

q) Earnings Per Share

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

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

r) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the accounting policies, management is 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 circumstances, 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. The assumptions and methods used in the determination of the value of investments are outlined in Note 1 (g) of these financial statements.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

The following new and revised Standards and Interpretations have been adopted in the current period and have not materially 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 use hedge accounting, 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 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 application of the amendments does not have any material impact on the financial statements.

Standards and Interpretations that are not expected to have a material impact on the Company have not been included.

b) Standards and Interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been early adopted by the Company.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	30 June 2019
AASB 2015-1 "Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle"	1 January 2016	30 June 2017
AASB 2015-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101"	1 January 2016	30 June 2017
AASB 2015-3 "Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality"	1 July 2015	30 June 2016
AASB 2015-5 "Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception"	1 January 2016	30 June 2017
AASB 15 "Revenue from Contracts with Customers" and AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15"	1 January 2017	30 June 2018

The Company has not yet assessed the potential impact of these standards.

As this is the first financial report, there are no comparative figures.

3. INCOME

	Period from 8 May 2014 to 30 June 2015 \$
Unrealised gains on financial instruments held at fair value through profit or loss	245,068
Realised gains on financial instruments held at fair value through profit or loss	1,616,245
Interest income	266,363
Dividend income	337,455
	<u>2,465,131</u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

4. OTHER EXPENSES

	Period from 8 May 2014 to 30 June 2015 \$
Annual general meeting fees	(4,726)
Brokerage fees	(53,589)
Legal fees	(9,167)
Other fees	(85,160)
Tax fees	(3,850)
Total other expenses	(156,492)

5. INCOME TAX

a) Income Tax Expense

The aggregate amount tax (benefit)/expense attributable to the period differs from the amount calculated on the profit for the period.

	Period from 8 May 2014 to 30 June 2015 \$
Differences are reconciled as follows:	
Profit for the period before income tax (benefit)/expense	1,498,220
Prima facie income tax expense calculated at 30%	449,466
Adjustment to income tax due to:	
Tax offset for franked dividends received	(62,596)
Income tax expense	386,870

b) Income Tax Expense Recognised in the Statement of Profit or Loss and Other Comprehensive Income

	Period from 8 May 2014 to 30 June 2015 \$
Deferred income tax/benefit relating to origination and reversal of temporary differences	(3,348)
Current period tax expense	390,218
Income tax expense	386,870

c) Deferred Tax Asset

Deferred income tax asset comprises the estimated expense at the current income tax rate of 30% on the following items:

	Period from 8 May 2014 to 30 June 2015 \$
Other temporary differences	85,432
	<u>85,432</u>

d) Deferred Tax Liability

	Period from 8 May 2014 to 30 June 2015 \$
Deferred income tax liability on unrealised gains on fair value of investments	73,520
Other temporary differences	8,564
	<u>82,084</u>

6. DIVIDENDS PAID OR PAYABLE

No dividends were paid or declared during the period from 8 May 2014 to 30 June 2015.

Dividend Franking Information

	Period from 8 May 2014 to 30 June 2015 \$
Franking credits available for shareholders from previous financial periods	–
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	4,894
Impact on the franking account of dividends paid during the period	–
Impact on the franking account of dividends received during the period	89,422
Impact on franking account of income tax paid/payable	–
Adjusted franking account balance	<u>94,316</u>
Estimated impact on franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the period	<u>184,286¹</u>

1. This calculation is based on the number of shares on issue as at 30 June.

NOTES TO THE FINANCIAL STATEMENTS

Continued

7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	30 June 2015 \$
Dividend receivable	28,546
GST receivable	43,170
Other receivables	4,852
Receivable from investments sold	922,638
Prepaid fees	78,618
	<u>1,077,824</u>

Receivables are non-interest bearing and unsecured. Outstanding trades are on the terms operating in the security industry which usually require settlement within three days of the date of the transaction. None of the receivables are past due or impaired at the end of the reporting period.

8. INVESTMENTS IN FINANCIAL INSTRUMENTS

a) Financial assets at Fair Value through Profit or Loss

	30 June 2015 \$
Investment in listed equity securities	22,046,233
Investment in listed corporate bonds	5,348,682
Total financial assets at fair value through profit or loss	<u>27,394,915</u>

b) Financial liabilities at Fair Value through Profit or Loss

	30 June 2015 \$
Investment in listed equity securities – short sales	4,351,768
Investment in derivatives – Contracts for Differences	125,183
Total financial liabilities at fair value through profit or loss	<u>4,476,951</u>

c) Investments in Derivatives

The Company held the following derivatives at 30 June 2015:

Contracts for Differences

Contracts for differences (“CFDs”) represent agreements that obligate two parties to exchange cashflows at specified intervals based upon, or calculated by reference to, changes to specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future satisfaction CFD may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD are valued at the CFD’s settlement date and is included in the Statement of Profit or Loss and Other Comprehensive Income.

The Company held the following open CFDs at the reporting date

	30 June 2015	
	Notional Value \$	Unrealised appreciation/ (depreciation) \$
Contracts for differences		
Position stated as assets	–	–
Position stated as liabilities	(3,086,754)	(125,183)
Total	<u>(3,086,754)</u>	<u>(125,183)</u>

d) Disclosed fair values

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

9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30 June 2015 \$
Auditor's remuneration payable	18,915
Interest payable	11,221
Management fees payable	36,792
Unsettled trades payable	4,634,101
Performance fees payable	224,956
Dividend payable on short sales	64,695
Other payables	42,209
Total	5,032,889

Payables are non-interest bearing and unsecured. Outstanding trades are on the terms operating in the security industry which usually require settlement within three days of the date of the transaction.

10. ISSUED CAPITAL

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

	30 June 2015	
	No. of shares	\$
Issued and paid up capital – Ordinary shares	21,500,000	19,633,800

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

Each share will confer on its holder:

- 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;
- 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);
- the right to receive dividends;
- 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
- subject to the Corporations Act and the Listing Rules, shares are fully transferable.

Movements in Ordinary Share Capital

Date	Details	No. of shares	Issue price \$	\$
8 May 2014	Opening balance	–		–
	Ordinary shares issued	21,500,000	1.000	21,500,000
	Share option reserve attached to ordinary shares issued during the period	–		(1,399,650)
	Share option reserve attached to Investment manager for bearing the costs associated with capital raising	–		(466,550)
30 June 2015	Closing balance	21,500,000		19,633,800

As a part of the initial public offering, three options were issued at zero cost for every four shares subscribed. In addition to these, the Company issued the Investment Manager 0.25 options for every dollar raised in the capital transaction in exchange for the Investment Manager bearing the costs associated with the capital raising. The Investment Manager has valued the options at \$0.0868 per option as at the date of issue of the options (7 November 2014). The terms and conditions of the options are described in Note 11 (b).

NOTES TO THE FINANCIAL STATEMENTS

Continued

11. RESERVES

a) Retained Earnings

	Period from 8 May 2014 to 30 June 2015 \$
Opening balance	–
Net profit attributable to members of the Company	1,111,350
Closing balance	1,111,350

b) Share Option Reserve

The fully paid ordinary shares were issued with three attaching options for every four shares subscribed. The options will expire on 30 November 2016.

The terms and conditions of the options are as follows:

- The Company maintains a register of holders of options in accordance with section 168(1) (b) of the Corporations Act.
- An option may be transferred or transmitted in any manner approved by the ASX.
- An option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the option, together with payment to the Company of \$1.00 per option being exercised and the relevant option certificate.
- An option may be exercised on any business day from the date of grant to 30 November 2016, (inclusive) but not thereafter.
- A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.
- Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of options rank equally with other issued shares of the Company seven Business Days after their date of issue and are entitled to dividends paid on and from this date.

In addition to the three options attached to every four shares subscribed under the initial public offering, the Company issued the Investment Manager with 0.25 options for every dollar raised in the capital transaction. Options were issued in exchange for the Investment Manager bearing all costs associated with raising the capital. The Company successfully raised \$21,500,000 through the initial public offering, resulting in 5,375,000 options issued to the Investment Manager. Options have the same terms and conditions as those options attached to ordinary shares except that options issued to the Investment Manager are subject to escrow for 12 months from the date of listing.

The movement in the share option reserve is detailed below:

	Period from 8 May 2014 to 30 June 2015 \$
Opening balance	–
Options issued during the period	1,866,200
Closing balance	1,866,200

Within the \$1,866,200 valuation of the options, the Investments Manager owns \$466,550 (5,375,000 options valued at \$0.0868 per option). These options are issued in exchange for the Investment Manager bearing all costs associated with capital raising.

The movement in the number of share options is detailed below:

	Period from 8 May 2014 to 30 June 2015 \$
Opening balance	–
Additions \$1.00 options expiring 30 November 2016	16,125,000
Additions \$1.00 options expiring 30 November 2016 (Escrowed)	5,375,000
Exercise of \$1.00 options expiring 1 February 2015	–
Closing balance	21,500,000

12. AUDITOR'S REMUNERATION

During the period the following fees were paid or payable for services provided by the auditor, its related practices and non-audit related services.

	Period from 8 May 2014 to 30 June 2015 \$
Deloitte Touche Tohmatsu – audit and review of the financial reports	27,000
Non-audit services	–
Total audit fee expense	27,000

13. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	30 June 2015 \$
Cash at banks	7,915,978
Bank overdraft	(3,880,657)
	4,035,321

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

	Period from 8 May 2014 to 30 June 2015 \$
Profit for the period attributable to shareholders after tax	1,111,350
Adjustments for:	
Change in value of financial assets designated at fair value through profit or loss	(1,861,313)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	386,870
Change in assets and liabilities:	
Increase in trade and other receivables	(155,186)
Increase in trade and other payables	398,788
Net cash used in operating activities	(119,491)

14. KEY MANAGEMENT PERSONNEL

a) Key Management Personnel Compensation

The remuneration of the Company's key management personnel and their related entities for the period from 8 May 2014 to 30 June 2015 was \$25,205.

There were no shares granted during the reporting period as compensation to the Directors.

b) Related party shareholdings

NAOS Asset Management Limited

The Company has outsourced its investment management function to NAOS Asset Management Limited.

NAOS Asset Management Limited holds 33,552 shares in the Company.

The Company issued the Investment Manager with 0.25 options for every dollar raised in the capital transaction. Options were issued in exchange for the Investment Manager bearing all costs associated with raising the capital. The Company successfully raised \$21,500,000 through the initial public offering, resulting in 5,375,000 options issued to the Investment Manager. Options have the same terms and conditions as those options attached to ordinary shares except that options issued to the Investment Manager are subject to escrow for 12 months from the date of listing.

NOTES TO THE FINANCIAL STATEMENTS

Continued

14. KEY MANAGEMENT PERSONNEL (CONTINUED)

b) Related party shareholdings (continued)

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 of the Company were:

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
	No. of shares	No. of shares	No. of shares	No. of shares
Period from 8 May 2014 to 30 June 2015				
Mr David Rickards (Chairman)	–	301,920	–	301,920
Mr Warwick Evans (Director)	–	600,000	–	600,000
Mr Sebastian Evans (Director)	–	138,552	–	138,552

Holdings of Options by Key Management Personnel

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

	Relevant interests (Options)
Mr David Rickards (Chairman)	150,000
Mr Warwick Evans (Director)	375,000
Mr Sebastian Evans (Director)	5,478,892*

* 5,375,000 escrowed

c) Other Transactions within the Company

Apart from those details disclosed in this Note, no other key management personnel have entered into a material contract with the Company during the financial period and there were no material contracts involving key management personnel's interests existing at year end.

15. SEGMENT INFORMATION

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the investment portfolio.

16. RELATED PARTY INFORMATION

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Holdings of Shares by the Directors of the Investment Manager

	30 June 2015
Ordinary shares	No. of shares
David O'Halloran (Director)	1,000,000
Warwick Evans (Director) – key management personnel	600,000
Sebastian Evans (Director) – key management personnel	138,552

Management Fees

In return for the performance of its duties as investment manager of the Company, the Investment Manager is entitled to be paid a monthly management fee equal to 0.146% (excluding GST) of the gross value of the portfolio calculated on the last business day of each month representing an annualised management fee of 1.75% (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 period from 8 May 2014 to 30 June 2015:

- Management fees of \$252,829 (excluding RITC) were incurred during the period.
- Management fees payable at 30 June 2015 were \$36,792 (including RITC).

Performance Fees

In the event that the portfolio outperforms the Benchmark, the Company must pay the Investment Manager a performance fee equal to 20% (excluding GST) per annum of the amount the portfolio outperforms the Benchmark, subject to a High Watermark Cap of 8% per annum. No performance fee is payable if the portfolio underperforms the Benchmark Index. Any underperformance to the Benchmark Index is carried forward to future performance calculation periods and must be recouped before the Investment Manager is entitled to a performance fee. At its discretion and subject to shareholder approval, the Investment Manager may elect to receive the performance fee in shares.

The following performance fees were paid or payable to the Investment Manager during the period from 8 May 2014 to 30 June 2015:

- Performance fees of \$209,618 (excluding RITC) were incurred during the period.
- Performance fees payable at 30 June 2015 were \$224,956 (including RITC).

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, liquidity risk, currency risk and market risk.

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

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

a) Credit Risk

Credit risk represents the risk that the Company will incur financial loss as a result of a failure by a counterparty to discharge an obligation to a financial instrument. In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their contractual obligations.

This risk may be minimised by:

- ensuring counterparties, together with the respective credit limits, are approved;
- ensuring that the transactions are undertaken with a large number of counterparties; and
- ensuring that the transactions are undertaken on recognised exchanges.

i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase orders on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A or higher.

iii) Other

The Company is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are not considered to be impaired nor past due.

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) Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company may be exposed to foreign currency risk if its portfolio includes securities that are denominated in a foreign currency. Currency risk may be reduced by the use of cross-currency swaps, foreign exchange forwards and spot contracts.

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

	AUD	EUR	USD	Total
30 June 2015				
Assets (in AUD)				
Cash and cash equivalents	7,889,653	–	26,325	7,915,978
Trade and other receivables	1,077,824	–	–	1,077,824
Financial assets at fair value through profit or loss	27,394,915	–	–	27,394,915
Deferred tax assets	85,432	–	–	85,432
Total assets	36,447,824	–	26,325	36,474,149
Liabilities (in AUD)				
Bank overdraft	3,851,783	28,874	–	3,880,657
Trade and other payables	5,031,501	932	456	5,032,889
Financial liabilities at fair value through profit or loss	4,351,768	72,392	52,791	4,476,951
Provision for income tax	390,218	–	–	390,218
Deferred tax liabilities	82,084	–	–	82,084
Total liabilities	13,707,354	102,198	53,247	13,862,799
Net exposure	22,740,470	(102,198)	(26,922)	22,611,350

The following table demonstrates the sensitivity of the Fund's Statement of Profit or Loss and Other Comprehensive Income to a reasonable change in foreign exchange rates, with all other variables held constant.

	Change in foreign exchange rate increase/(decrease)	Effect on net profit and net assets attributable to unitholders (\$)
Period from 8 May 2015 to 30 June 2015		
EUR/AUD	20%/(20%)	(20,440)/20,440
USD/AUD	20%/(20%)	(5,384)/5,384

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

	Floating interest rate	Non-interest bearing	Total
30 June 2015			
Assets			
Cash and cash equivalents	7,915,978	–	7,915,978
Trade and other receivables	–	1,077,824	1,077,824
Financial assets at fair value through profit or loss	4,226,132	23,168,783	27,394,915
Total assets	12,142,110	24,246,607	36,388,717
Liabilities			
Bank overdraft	3,880,657	–	3,880,657
Trade and other payables	–	5,032,889	5,032,889
Financial liabilities at fair value through profit or loss	–	4,476,951	4,476,951
Total liabilities	3,880,657	9,509,840	13,390,497
Net exposure	8,261,453	14,736,767	22,998,220

The following table demonstrates the sensitivity of the Company's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on the expected volatility of change in the AUD cash interest rate over the coming year:

	Change in basis points increase/(decrease)	Impact on operating profit/ net assets attributable to shareholders (\$)
30 June 2015		
AUD interest rate	25bps/(25bps)	20,654/(20,654)

iii) Price Risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

As at 30 June a positive 10% sensitivity would have had an impact on 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 gross of tax	
	–10% \$	10% \$
30 June 2015	(2,291,796)	2,291,796

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

iv) Other Price Risk

The Investment Manager seeks to manage and reduce the other price risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily and the risk managed on a daily basis.

The Company's industry sector weighting of the gross assets as at 30 June 2015 is as below:

Industry	% of Portfolio
	30 June 2015
Consumer Discretionary	14%
Consumer Staples	5%
Energy	9%
Financial Services and Insurance	17%
Health Care	5%
Industrials	10%
Mining	3%
Other	22%
Real Estate	9%
Telecommunication Services	6%
	100%

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.

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 Company also holds a portion of its portfolio in cash sufficient to ensure that it has cash readily available to meet all payments. Furthermore, 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 2015 to the contractual maturity date.

	30 June 2015				Total \$
	On demand \$	< 1 month \$	1-12 months \$	> 12 months \$	
Bank overdraft	–	3,880,657	–	–	3,880,657
Trade and other payables	–	5,032,889	–	–	5,032,889
Financial liabilities at fair value through profit or loss	–	–	4,476,951	–	4,476,951
Total financial liabilities	–	8,913,546	4,476,951	–	13,390,497

The amounts in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

d) Fair Value Hierarchy

AASB 7 ("Financial Instruments Disclosures") requires entities to provide disclosures in their financial reports 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. 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, 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 shows an analysis of financial instruments held at 30 June 2015, recorded at fair value and presented by Level of the fair value hierarchy:

Financial Assets at Fair Value through Profit or Loss

	30 June 2015			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in listed equity securities	22,046,233	–	–	22,046,233
Investment in listed corporate bonds	5,348,682	–	–	5,348,682
Total financial assets designated at fair value through profit or loss	27,394,915	–	–	27,394,915

Financial Liabilities at Fair Value through Profit or Loss

	30 June 2015			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Investment in listed equity securities – short sales	4,351,768	–	–	4,351,768
Investment in derivatives – Contracts for Differences	–	125,183	–	125,183
Total financial liabilities designated at fair value through profit or loss	4,351,768	125,183	–	4,476,951

There were no transfers between Levels 1, 2 and 3 during the period. 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 30 June 2015 the Company had \$27,394,915 financial assets held at fair value through profit or loss included in Level 1. As at 30 June 2015 the Company also had \$4,351,768 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, CFDs) 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.

The Company calculates the value of CFDs by reference to changes to specified close prices of the underlying listed securities under the CFD contract. In the event that the price of the underlying security increases, the fair value of the CFD will also increase. A decrease in price will have an equal and opposite effect on the fair value of the CFD. Since this valuation technique maximises the use of observable data, CFDs have been included in Level 2. As at 30 June 2015 the Company had \$125,183 financial liabilities in Level 2.

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 30 June 2015 the Company had nil financial instruments held at fair value through profit or loss included in Level 3.

e) Capital Management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings as disclosed in Notes 10 and 11 respectively. The Company is not subject to externally imposed capital requirements. The Company's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Company's Prospectus;
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by using various investment strategies;
- 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.

18. EARNINGS PER SHARE

	Period from 8 May 2014 to 30 June 2015 cents
Basic earnings per share	5.17
Diluted earnings per share	5.17
	Units
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,500,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,500,000
Weighted average number of fully paid ordinary shares	21,500,000
Potential ordinary shares – Options ¹	–
Total weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,500,000
	\$
Net profit used in the calculation of basic earnings per share	1,111,350
Net profit used in the calculation of diluted basic earnings per share	1,111,350

1. The options are not considered to have a dilutive effect on the calculation of diluted earnings per share because the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

19. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2015.

20. SUBSEQUENT EVENTS

On 18 August 2015, the Company declared a fully franked dividend of 2 cents per share.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of NAOS Absolute 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 period from 8 May 2014 to 30 June 2015;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 (b) to the financial statements;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Directors have received the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Board



Sebastian Evans
26 August 2015

ADDITIONAL INFORMATION

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

INVESTMENT PORTFOLIO

As at 30 June 2015 the Company had the following investments:

Investment

Aercap Holdings N.V
AGL Energy Limited Floating Rate Notes
AMA Group Limited Ordinary Shares
Amalgamated Holding Limited Ordinary Shares
APN News & Media Ordinary Shares
Australia New Zealand Banking Limited Ordinary shares
Australian Unity Limited Floating Rate Note
Betashares Australian Equities Bear Hedge Fund
Betashares U.S Dollar ETF
Coca-Cola Amatil Limited Ordinary Shares
Commonwealth Bank of Australia Limited Ordinary Shares
Cover-More Group Limited Ordinary Shares
Crown Resorts Limited Floating Rate Notes
Federation Centres Unit Stapled Securities
Goodman Group Stapled Securities
GPT Group Stapled Securities
Hella Group Contracts for Differences
Macquarie Group Limited Ordinary Shares
Mineral Resources Limited Ordinary Shares
Moleskine Contracts for Differences
My Net Fone Limited Ordinary Shares
National Australia Bank Limited Convertible Preference Shares
National Australia Bank Limited Ordinary Shares
Origin Energy Limited Floating Rate Notes
Ramsay Health Care Limited Convertible Preference Shares
Reece Australia Limited Ordinary Shares
Seven Group Holdings Limited Convertible Preference Shares
Suncorp Group Limited Floating Rate Notes
The Michelin Group Contracts for Differences
Woolworths Limited Floating Rate Notes

During the financial period from 8 May 2014 to 30 June 2015, the Company had 411 transactions in investment securities. Total brokerage fees incurred during the period from 8 May 2014 to 30 June 2015 were \$53,589.

20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2015.

Shareholders	Ordinary shares held	% of issued shares
Myall Resources Pty Ltd <Myall Group Super Fund A/C>	1,000,000	4.651
LIC Investments Pty Ltd <LIC Investments Unit A/C>	680,000	3.163
Nivesa Pty Ltd <Warwick Evans Super Fund A/C>	600,000	2.791
Australian Executor Trustees Limited	400,000	1.860
Equitas Nominees Pty Limited <PB-600057 A/C>	301,920	1.404
Netwealth Investments Limited <Wrap Services A/C>	300,000	1.395
Mr Dennis Lambert & Mrs Karen Lambert <Lambert Family S/F A/C>	300,000	1.395
Minerva Group Pty Ltd <Cant Super Fund A/C>	300,000	1.395
IGM Sutherland Pty Ltd <Sutherland Emp S/F A/C>	300,000	1.395
Australian Executor Trustees Limited <No 1 Account>	295,000	1.372
Vasnan Pty Ltd <Rn & Aa Smith S/F A/C>	250,000	1.163
Petaros Pty Limited <Hughes Super Fund A/C>	250,000	1.163
Alex Land Pty Limited	250,000	1.163
Pakids Pty Ltd <Pact Super Fund A/C>	250,000	1.163
Jalinsons Pty Ltd <JPW Super Fund No 2 A/C>	221,500	1.030
Mrs Dinah Penelope Fuller	200,000	0.930
Mr Mark John Bahen & Mrs Margaret Patricia Bahen <Superannuation Account>	200,000	0.930
DKL Investment Co Pty Ltd	200,000	0.930
Atrol Pty Ltd <The Atrol Super Fund A/C>	200,000	0.930
Richjeca Pty Ltd <Richjeca A/C>	200,000	0.930
H H Ryan (Nominees) Pty Limited <Ross Ryan Family A/C>	200,000	0.930
Total	6,898,420	32.083

ADDITIONAL INFORMATION

Continued

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2015.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1-1,000	7	4,218	0.020
1,001-5,000	96	306,100	1.424
5,001-10,000	47	446,200	2.075
10,001-100,000	285	12,077,818	56.176
100,001 and over	34	8,665,664	40.305
Total	469	21,500,000	100

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 Options of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

BUY BACK

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

NON-MARKETABLE PARCELS

As at 31 July 2015, the Company had 611 non-marketable parcels of securities.

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.

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CORPORATE INFORMATION

Directors

David Rickards (*Independent Chairman*)

Warwick Evans (*Director*)

Sebastian Evans (*Director*)

Company Secretary

Sebastian Evans

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

Level 12

225 George 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

