

NAOS Absolute Opportunities Company Limited

ASX Codes : NAC

: NACO

ACN : 169 448 837

Appendix 4E

Results Announcement for the year ended 30 June 2016

All comparisons unless specified are to the period from 8 May 2014 to 30 June 2015

	\$	up/down	% change
Revenue from ordinary activities	7,597,277	Up	208%
Profit from ordinary activities before tax attributable to members	5,106,230	Up	241%
Profit from ordinary activities after tax attributable to members	3,877,369	Up	249%
	Cents per share	Franked amount per share	Tax rate for franking
Dividend Information			
2016 Interim dividend	2.25	2.25	30%
2016 Final dividend	2.50	2.50	30%
Final Dividend Dates			
Ex-dividend date			11 November 2016
Record date			14 November 2016
Payment date			30 November 2016
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 2.5 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.			
		30 June 2016	30 June 2015
		\$	\$
(Post Tax) Net tangible asset backing		1.144	1.052
This report is based on the financial report which has been subject to independent audit 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 2016



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Annual General Meeting

AGM to be held at 10am (AEST)
on Friday 18 November 2016
at Taylor Collison, Level 10,
167 Macquarie Street, Sydney NSW 2000

The page features a solid blue background with several decorative yellow elements: a thin line starting from the top edge and extending diagonally down to the right; a yellow triangle pointing towards the right, positioned to the right of the main text; a yellow circle located below the triangle; and another thin yellow line starting from the bottom edge and extending diagonally up to the right.

Our objective is to
provide investors with
domestic and global
long/short mid-cap
exposure with a
long-term value focus

FINANCIAL RECORD

Net Tangible Assets	30 June 2016	30 June 2015
Undiluted NTA per share (pre-tax)*	\$1.19	\$1.07
Undiluted NTA per share (post-tax)	\$1.14	\$1.05
Diluted NTA per share (pre-tax)	\$1.12	\$1.03
Diluted NTA per share (post-tax)	\$1.09	\$1.03
Share price	\$1.00	\$0.93
Option price (expiring 30 November 2016)	\$0.02	\$0.02

Dividend

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2016 Interim dividend	2.25	2.25	30%
2016 Final dividend	2.50	2.50	30%

Final Dividend Dates

Ex-dividend date	11 November 2016
Record date	14 November 2016
Payment date	30 November 2016

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 2.50 cents per share qualifies. The plan is in effect per the latest dividend reinvestment rules.

*The Net Tangible Assets backing of the Company's shares is calculated, in accordance with ASX guidelines, by dividing the net tangible assets of the Company (net assets less tax assets and liabilities), at a particular date, by the number of shares on issue at that date.

Portfolio Performance as at 30 June 2016

	1 Month	3 Month	6 Month	1 Year	Inception (p.a.)	Inception (Nom.)
NAC Investment Portfolio Performance	-0.53%	+8.95%	+11.54%	+30.14%	+24.04%	+42.12%
Benchmark (RBA Cash Rate + 250bps)	+0.37%	+1.19%	+2.40%	+4.83%	+4.95%	+8.20%
Relative Performance	-0.90%	+7.76%	+9.14%	+25.31%	+19.09%	+33.92%

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

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 provide investors with domestic and global long/short exposure with a long term value focus. The strategy is implemented through investing in mid-cap listed equities both domestically and globally in a concentrated long/short structure. The primary focus of the Company is 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 that 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 3 options attached to every 4 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. 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 2016 (\$)	30 June 2015 (\$)
Total assets	41,559,814	36,474,149
Undiluted NTA per share (pre-tax)	1.19	1.07
Undiluted NTA per share (post tax)	1.14	1.05
Diluted NTA per share (pre-tax)	1.12	1.07
Diluted NTA per share (post tax)	1.09	1.05
Total shares on issue	28,038,750	21,500,000
Total options on issue	14,961,250	21,500,000

INFORMATION ABOUT THE INVESTMENT MANAGER

The Investment Manager of the Company is NAOS Asset Management Limited (NAOS). NAOS was established in 2005 and 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, long-term, value driven, long/short approach to investing. The investment team look to realise value over the medium to long term by sourcing, selecting and combining investment opportunities that present the greatest opportunity 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 place a primary focus on mitigating the risk of permanent loss of capital and assessing each investment opportunity on the basis of its potential for long-term 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 believe there should always be 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 seek only to invest in businesses that are led by proven management teams with a clear alignment of interests to that 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 major shareholder and Managing Director of the Investment Manager. He is also the Chief Investment Officer for both the NAOS Absolute Opportunities Company and the NAOS Emerging Opportunities Company. Prior to this he was an Investment Analyst at the Investment Manager, focusing on emerging companies.

Sebastian holds a Masters of Applied Finance majoring in Investment Management, a Bachelor's Degree in Commerce, majoring in Finance and International Business and a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM). He also holds a Diploma in Financial Services and is RG146 Competent.

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 36 years of equity markets experience, most notably as Managing Director for Macquarie Equities (Globally) from 1991-2001 as well as being an Executive Director for Macquarie Group. He was also the founding Chairman & 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 26 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).



Dear Fellow Shareholders,

Welcome to the 2016 Annual Report for the NAOS Absolute Opportunities Company Limited.

For the financial year ended 30 June 2016, the Company achieved a record profit of \$3.87 million representing a significant increase on the prior period profit. The Pre-Tax NTA increased by 22.25c including the 4.25c of fully franked dividends paid over the same period.

Pleasingly, over the course of the year a significant amount of the listed options (ASX: NACO) were exercised with over 37% now exercised with four months remaining to expiry. The exercise of these options will assist the Company in growing the net assets, reducing the management expense ratio, and increasing the liquidity and marketability of the Company going forward.

In these unprecedented times of low interest rates and government stimulus around the world the Board is cognisant of the need to provide positive absolute returns and to protect the capital of our shareholders. The Board believes that as the Company has the flexibility to invest in long positions in a benchmark unaware format, and is also able to short sell securities, this provides the Investment Manager with the flexibility and tools required to achieve our objective for shareholders. In its 19 months since inception the Company has reported six months of negative returns, with the average negative return for FY16 being just -1.21%.

Dividends for the business have now grown half on half for three consecutive six-month periods since listing in November 2014. For the financial year 2016 the dividend paid to shareholders was \$0.0475 fully franked. This represents a significant increase on the prospectus dividend guidance of 4% p.a. Of paramount importance to the Directors is the ability to provide shareholders of the Company with a growing, predictable stream of dividends franked to the maximum extent deemed appropriate.

The Company continues to place significant emphasis on providing quality and value-add communications to our

shareholder base. The Directors believe the monthly investment reports and quarterly question and answer sessions with the NAOS Chief Investment Officer are some of the most useful within the Listed Investment Company space. To further improve our shareholder communications, we will be holding shareholder briefings in five of the capital cities on a bi-annual basis. The Directors believe these briefings will allow both prospective and current shareholders the ability to meet with both the Board of Directors and the wider team at the Investment Manager, and allow them to have answered any questions they may have in regards to the Company and its operations.

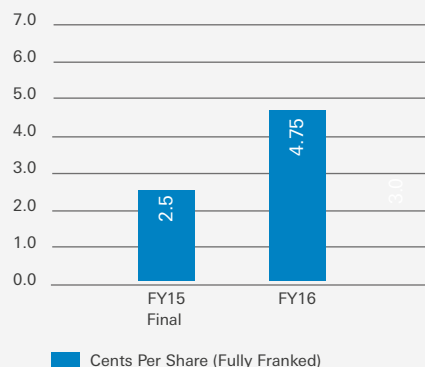
Importantly through the financial year all Directors of the Company were net acquirers of shares over the period and all three Directors held a cumulative position of 2.7 million shares, further aligning our interests with those of all shareholders of the Company.

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

The Board is grateful for all shareholder support through the year and we welcome all new shareholders who joined the Company over 2016.

David Rickards
Chairman
25 August 2016

Historical Dividends





Dear Fellow Shareholders,

It is with great pleasure I provide a summary of the first full financial year of operations of the NAOS Absolute Opportunities Company Limited ('NAC').

“The Investment portfolio produced a very pleasing return of 30.14%, but more importantly the risk variables of the Company remained in solid shape with both volatility and downside volatility well below that of the wider market.”

The Investment portfolio produced a very pleasing return of 30% for the financial year 2016, but more importantly the risk variables of the Company remained in solid shape with both volatility and downside volatility remaining well below that of the wider market at 8.20% and 1.28% respectively. When reviewing not only the net equity exposure of the Company but also the portfolio adjusted beta, it can be seen that the overall portfolio structure of the fund remained conservative through most of 2016.

The Company has a relatively flexible investment mandate, and both current and prospective investors occasionally question the size of the opportunity set and how the manager can have expertise in all relevant asset classes. Going through the contributors to the performance of the portfolio we can see that investment team have stuck to their knitting and the NAOS investment philosophy of focusing on only investing in high quality undervalued companies, in the same way that sister company the NAOS Emerging Opportunities Company Limited (ASX: NCC) operates in a more concentrated format in the small cap space. The key difference between the two is simply that NAC focuses on investing in undervalued mid-cap companies as well as being able to benefit our shareholders by short selling what we believe to be overvalued mid-cap companies.

Reviewing the contributors on the long side of the portfolio it was pleasing to see that there were many contributors. Key contributors included Smart Group (ASX: SIQ), Sirtex Medical (ASX: SRX), and Event Hospitality and Entertainment (ASX: EVT). All three companies were able to grow their earnings base significantly in FY 2016, and exhibited many of the investment credentials that the NAOS investment philosophy is focused upon; namely balance sheet flexibility, earnings growth either through margin expansion or revenue growth, and significant shareholder alignment.

Interest rates are at unprecedented lows, which have the potential to inflate asset prices to overvalued levels. In equity markets this can lead to companies with somewhat early stage and speculative business operations having valuations that do not factor in the significant amount of risk that such businesses face. Pleasingly, this allowed the investment team to successfully short sell companies that operate within the technological and biotechnology sector, where we believe these conditions to be particularly prevalent. Over the course of the year, short selling contributed approximately 20% of the total portfolio performance, a meaningful result in a general market that increased in value by 7.24%.

CURRENT PORTFOLIO POSITIONING

With the ability to invest both long and short it is critical that the Company remains vigilant not only in regard to stock selection but also to overall portfolio structure, as this is not a forced investment vehicle and at times cash can be the best investment option.

At the time of writing the portfolio maintained a net equity position of ~65%, yet the portfolio adjusted beta was just 0.15. This demonstrates our investment strategy of owning high quality companies with a low beta relative to the market, and actively shorting a small quantity of lower quality businesses with higher beta characteristics.

Current market dynamics are providing a backdrop of high valuations, especially when factoring in the earnings growth profile of many industrial businesses. We have seen over the past 2-3 reporting seasons that the earnings expectations set for many industrials based businesses have been ratcheted down throughout the year, to an end result of slight or even no growth. As I have stated in many of our monthly investment reports much of this earnings growth over recent years has been driven by cost cutting and efficiency measures as opposed to genuine revenue growth. The NAC portfolio is focused on investing in undervalued companies that have been able to grow their revenue profile without focusing solely on their cost base, as we believe cost cutting can only be accomplished for so long before it starts

affecting the integrity of the underlying foundation of any business.

As mentioned previously, the short positions in the portfolio have added value and I believe they will continue to be a core part of the NAC investment strategy going forward. Unlike our long positions which generally remain over the long term our short positions are often short term, opportunistic and catalyst driven. In times where market multiples are often greater than 17x, and many companies are being valued on dividend yields, in our view there should be many shorting opportunities that will arise over the next 12 months.

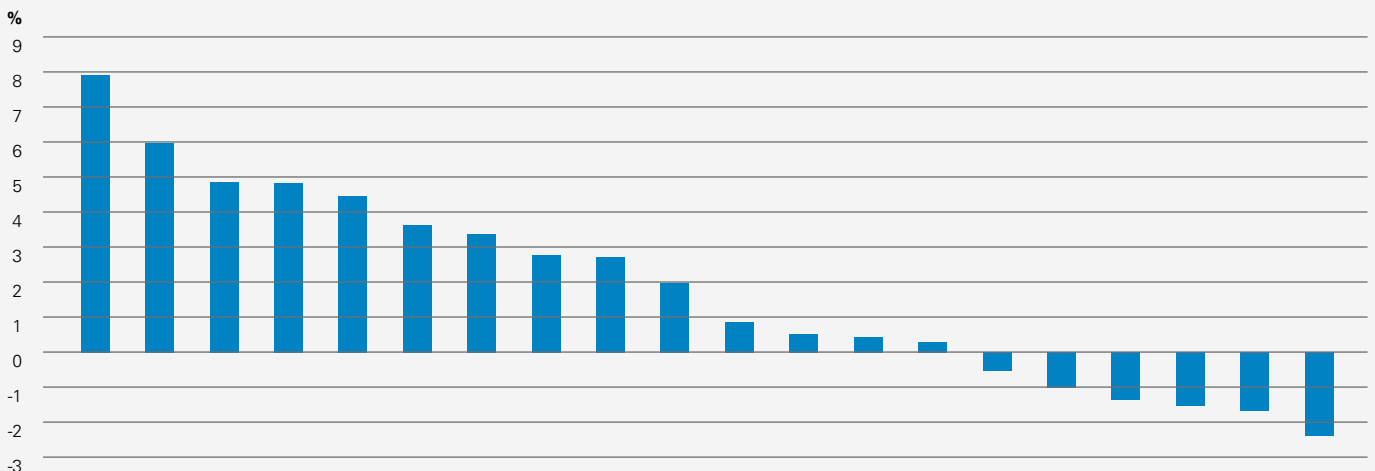
Looking forward, I am encouraged by the potential that NAC has to produce another positive return for our shareholders over the next 12 months. We are in the ideal position of having the flexibility within the investment structure as well as a fund size that allows us to be nimble compared to many of our peers. I look forward to reporting back to you on the results for 2017 and thank you once again for all your feedback and support through 2016.



Sebastian Evans
 Managing Director/Portfolio Manager
 NAOS Asset Management Limited

“The short positions in the portfolio have added value and I believe they will continue to be a core part of the investment strategy going forward.”

SUMMARY OF MONTHLY PORTFOLIO RETURNS



OUR TEAM



SEBASTIAN EVANS

Chief Investment Officer

See bio on page 4.



BEN RUNDLE

Portfolio Manager

Ben joined NAOS in January 2015 as a Portfolio Manager. Ben has over 8 years' experience in financial markets and prior to joining NAOS he held various roles within the Financial Services Industry including roles at Macquarie Bank and most recently with Moelis and Company. Ben holds a Bachelor of Commerce, majoring in Accounting from the University of South Australia.



JEFFREY KIM

Portfolio Manager

Jeffrey joined NAOS in August 2009 as an Investment Analyst and is now a Portfolio Manager. Prior to joining the Firm, Jeffrey completed his double degree in Applied Finance and Accounting from Macquarie University.



ROBERT MILLER

Portfolio Manager

Robert Miller has been with NAOS since September 2009 working with the investment team as an Investment Analyst and now Portfolio Manager. Robert has completed his Bachelor's Degree in Business from the University of Technology Sydney, as well as completing his Masters of Applied Finance from the Financial Services Institute of Australasia.



RICHARD PREEDY

Chief Financial and Operating Officer

Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 10 years financial services experience in the UK and Australia, beginning his career in London with Deloitte & Touche before relocating to Sydney in 2013. Richard holds a BA (Hons) in Business Management from the University of Sheffield, and is a fully qualified Chartered Accountant.



JULIA STANISTREET

Business Development Manager

Julia joined NAOS in September 2015. Prior to this, Julia held various Client Relationship roles within the Financial Services Industry in Australia and the UK including roles at Macquarie Bank and Deutsche Bank. Julia holds a Bachelor of Business degree majoring in Accounting from UTS and she also holds a Graduate Diploma in Applied Finance from KAPLAN.



JULIE COVENTRY

Compliance Officer

Julie joined NAOS in November 2012 as Compliance Officer. Prior to joining NAOS, Julie worked within the Compliance and Performance teams at BZW Investment Management, Commonwealth Bank, Colonial First State and QBE. Julie holds a Bachelor of Business degree, majoring in Finance and Economics, from the University of Technology, Sydney and she also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.



CHADD KNIGHTS

Associate Analyst

Chadd joined NAOS in June 2015 as an Investment Analyst. Chadd completed his double degree in Applied Finance and Economics from Macquarie University and is a candidate in the Chartered Financial Analyst (CFA) Program.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

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

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

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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 year ended 30 June 2016.

COMPANY INFORMATION

Directors and Officers

The names of the Directors of the Company, in office from inception (8 May 2014) 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 4 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 and the year ended 30 June 2016.

	Year ended 30 June 2016		For the period from 8 May 2014 to 30 June 2015	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr David Rickards (Chairman)	11	11	14	14
Mr Warwick Evans (Director)	11	11	14	14
Mr Sebastian Evans (Director)	11	11	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 2016 Relevant interests (Shares)	30 June 2015 Relevant interests (Shares)
Mr David Rickards (Chairman)	465,087	301,920
Mr Warwick Evans (Director)	884,966	600,000
Mr Sebastian Evans (Director)	1,346,275	138,552

INTERESTS 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:

	30 June 2016 Relevant interests (Options)	30 June 2015 Relevant interests (Options)
Mr David Rickards (Chairman)	–	150,000
Mr Warwick Evans (Director)	275,000	375,000
Mr Sebastian Evans (Director)	1,822,189	5,478,892*

* 5,375,000 escrowed.

DIRECTORS' REPORT

Continued

OTHER DIRECTORSHIPS

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

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

PRINCIPAL ACTIVITIES

The Company invests primarily in mid-cap listed equities both domestically and offshore through a long/short structure with a long-term value focus 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 review 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 were as follows:

	Year ended 30 June 2016	Period from 8 May 2014 to 30 June 2015
	\$	\$
Profit before income tax	5,106,230	1,498,220
Income tax expense	(1,228,861)	(386,870)
Profit for the period	3,877,369	1,111,350
Profit for the period attributable to members	3,877,369	1,111,350

Dividends Paid or Payable

	Dividend rate (cents per share)	Total amount	% Franked	Date of payment
2015 final dividend (declared 28 August 2015)	2.00	430,000	100%	13 Nov 2015
2016 interim dividend (declared 17 February 2016)	2.25	515,081	100%	12 May 2016
		945,081		

Net Assets

As at 30 June 2016 and 30 June 2015, the net assets of the Company were:

	30 June 2016 \$	30 June 2015 \$
Net assets at fair value	32,082,388	22,611,350
Undiluted NTA per share (pre-tax)	1.19	1.07
Undiluted NTA per share (post-tax)	1.14	1.05
Diluted NTA per share (pre-tax)	1.12	1.07
Diluted NTA per share (post-tax)	1.09	1.05

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

Significant Changes in State of Affairs

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

Subsequent Events

On 25 August 2016, the Company declared a fully franked dividend of 2.5 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.

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 on 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 Directors within the maximum amount approved by shareholders. This is the only remuneration that Directors are entitled to.

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

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

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (CONTINUED)

Directors remuneration received for the year ended 30 June 2016 and period from 8 May 2015 to 30 June 2015 are disclosed below:

	Short-term employee benefits Director's fees \$	Post- employment benefits Superann- uation \$	Total \$
30 June 2016			
Mr David Rickards (Chairman)	27,397	2,603	30,000
Mr Warwick Evans (Director)	9,132	868	10,000
Mr Sebastian Evans (Director)	–	–	–
	36,529	3,471	40,000
30 June 2015			
Mr David Rickards (Chairman)	17,264	1,640	18,904
Mr Warwick Evans (Director)	5,754	547	6,301
Mr Sebastian Evans (Director)	–	–	–
	23,018	2,187	25,205

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

During the year ended 30 June 2016 and the 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 Year ended 30 June 2016	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
Mr David Rickards (Chairman)	301,920	163,167	–	465,087
Mr Warwick Evans (Director)	600,000	284,966	–	884,966
Mr Sebastian Evans (Director)	138,552	6,192,346	(4,984,623)	1,346,275

For the period from 8 May 2014 to 30 June 2015	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

Options Year ended 30 June 2016	Opening balance No. of options	Acquired No. of options	Sold No. of options	Closing balance No. of options
Mr David Rickards (Chairman)	150,000	–	(150,000)	–
Mr Warwick Evans (Director)	375,000	–	(100,000)	275,000
Mr Sebastian Evans (Director)	5,478,892*	2,238,047	(5,894,750)	1,822,189

Options For the period from 8 May 2014 to 30 June 2015	Opening balance No. of options	Acquired No. of options	Sold No. of options	Closing balance No. of options
Mr David Rickards (Chairman)	–	150,000	–	150,000
Mr Warwick Evans (Director)	–	375,000	–	375,000
Mr Sebastian Evans (Director)	–	5,478,892*	–	5,478,892

*5,375,000 escrowed.

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 Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument 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 16.

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
25 August 2016

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 34, MLC Centre
19 Martin Place
Sydney NSW 2000

25 August 2016

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.

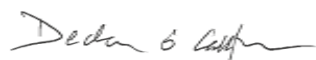
As lead audit partner for the audit of the financial statements of NAOS Absolute Opportunities Company Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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
Sydney, 25 August 2016

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Member of Deloitte Touche Tohmatsu Limited



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Sydney NSW 2000
PO Box N250 Grosvenor Place
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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 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 19 to 44.

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.

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Member of Deloitte Touche Tohmatsu Limited

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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 2016 and of its performance for the year ended 30 June 2016; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

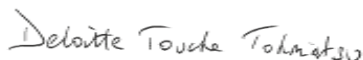
(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 30 June 2016. 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 year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 25 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Income	3	7,597,277	2,465,131
Expenses			
Interest expense		(229,712)	(94,420)
Dividend expense on short sales		(157,183)	(109,164)
Management fees	16	(467,283)	(252,829)
Performance fees	16	(1,042,746)	(209,618)
Administration fees		(39,804)	(21,525)
Directors' remuneration		(40,000)	(25,205)
Auditor's remuneration		(34,500)	(27,000)
Custody fees		(60,000)	(38,977)
Insurance fees		(27,829)	(5,229)
Registry fees		(26,434)	(8,808)
Broker fees		(204,742)	(53,589)
Other expenses	4	(160,814)	(120,547)
Profit before income tax expense		5,106,230	1,498,220
Income tax benefit/(expense)	5	(1,228,861)	(386,870)
Profit for the period attributable to shareholders of the Company		3,877,369	1,111,350
Other comprehensive income		-	-
Total comprehensive income for the period attributable to shareholders of the Company		3,877,369	1,111,350
Basic earnings per share (cents per share)	18	17.34	5.17
Diluted earnings per share (cents per share)	18	17.34	5.17

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

STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 June 2016 \$	30 June 2015 \$
Assets			
Cash and cash equivalents	13	2,169,251	7,915,978
Trade and other receivables	7	8,227,271	1,077,824
Financial assets at fair value through profit or loss	8	30,810,244	27,394,915
Deferred tax assets	5 (c)	353,048	85,432
Total assets		41,559,814	36,474,149
Liabilities			
Bank overdraft	13	2,058,807	3,880,657
Trade and other payables	9	3,708,717	5,032,889
Financial liabilities at fair value through profit or loss	8 (b)	2,140,670	4,476,951
Provision for income tax		451,731	390,218
Deferred tax liabilities	5 (d)	1,117,501	82,084
Total liabilities		9,477,426	13,862,799
Net assets		32,082,388	22,611,350
Equity			
Issued capital – Ordinary shares	10	26,740,114	19,633,800
Share option reserve	11 (b)	1,298,636	1,866,200
Retained earnings	11 (a)	–	1,111,350
Profits reserve	11 (c)	4,043,638	–
Total equity		32,082,388	22,611,350

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

STATEMENT OF CHANGES IN EQUITY

	Issued capital \$	Share option reserve \$	Retained earnings \$	Profits reserve \$	Total \$
Balance at 08 May 2014	–	–	–	–	–
Profit for the period	–	–	1,111,350	–	1,111,350
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive loss 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
Balance at 1 July 2015	19,633,800	1,866,200	1,111,350	–	22,611,350
Profit for the period	–	–	3,877,369	–	3,877,369
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	19,633,800	1,866,200	4,988,719	–	26,488,719
Shares issued during the year	–	–	–	–	–
Transfer to profits reserve	–	–	(4,988,719)	4,988,719	–
Dividend declared	–	–	–	(945,081)	(945,081)
Dividend reinvestment on market shares	190,369	–	–	–	190,369
Purchase of shares on market for DRP	(190,369)	–	–	–	(190,369)
Share option exercise	6,538,750	–	–	–	6,538,750
Transfer from share option reserve	567,564	(567,564)	–	–	–
Balance at 30 June 2016	26,740,114	1,298,636	–	4,043,638	32,082,388

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

STATEMENT OF CASH FLOWS

	Year ended 30 June 2016	Period from 8 May 2014 to 30 June 2015
Note	\$	\$
Cash flows from operating activities		
Dividends received	1,226,190	308,909
Dividends paid – short sales	(221,878)	(44,469)
Interest received	249,274	266,363
Interest paid	(225,862)	(83,199)
Management and performance fees paid	(597,561)	(200,699)
Directors' remuneration paid	(40,000)	(25,205)
Income tax paid	(849,492)	–
Admin and tax service fee paid	(41,683)	(15,750)
ASX Fee paid	(5,033)	(3,655)
Audit fee paid	(34,812)	(8,085)
Custody fee paid	(60,000)	(33,977)
Insurance fees paid	(26,480)	(78,917)
Registry service paid	(27,303)	(7,324)
Broker fee paid	(196,639)	(46,204)
Other payments	(227,761)	(147,279)
Net cash used in operating activities	13 (b) (1,079,040)	(119,491)
Cash flows from investing activities		
Payments from purchase of investments	(153,481,824)	(98,654,476)
Proceeds from sale of investments	144,992,706	81,309,288
Net cash used in investing activities	(8,489,118)	(17,345,188)
Cash flows from financing activities		
Receipts from share issues	–	21,500,000
Payment for purchase of shares on market for DRP	(190,369)	–
Dividends paid	(705,100)	–
Receipts from option exercise	6,538,750	–
Placement fees paid	–	–
Net cash used in financing activities	5,643,281	21,500,000
Net (decrease)/increase in cash and cash equivalents	(3,924,877)	4,035,321
Cash and cash equivalents at the beginning of the year/period	4,035,321	–
Cash and cash equivalents at the end of the year/period	13 (a) 110,444	4,035,321
Non-cash activities – Dividend reinvestment	190,369	–

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 a public Company listed on the Australian Securities Exchange (ASX: NAC) registered and domiciled in Australia. 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 34, MLC Centre, 19 Martin Place, Sydney, NSW 2000.

NAOS Asset Management Limited is the investment manager for the Company. The financial statements were authorised for issue by the Directors on 25 August 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

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

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

The 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.

The current reporting period is the year ended 30 June 2016. For the statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, the previous corresponding period is the period from 8 May 2014 to 30 June 2015. For the Statement of Financial Position, the previous corresponding period is 30 June 2015.

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 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investments in Financial Instruments (continued)

(i) Classification (continued)

- 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 recognise 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.

(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 substantially enacted, as at reporting date. Current tax liabilities/ (assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 Fund has adopted all the new and revised Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the operations and effective for the financial year:

AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'

This standard amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.

Key amendments include:

- AASB 5 – Change in methods of disposal;
- AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements;
- AASB 119 – Discount rate: regional market issue; and
- AASB 134 – Disclosure of information 'elsewhere in the interim financial report'.

The adoption of these amendments has not had a material impact on the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

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 2016 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 2016 'Leases'	1 January 2019	30 June 2020
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 2015 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018

The potential effect of these standards on the Company's financial statements has not yet been determined.

3. INCOME

	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Gains on financial instruments held at fair value through profit or loss	5,681,946	1,861,313
Interest income	249,274	266,363
Dividend income	1,666,057	337,455
	7,597,277	2,465,131

4. OTHER EXPENSES

	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Company secretarial fee	(27,925)	(11,452)
Marketing fee	(26,311)	(8,425)
Other fees	(50,060)	(70,869)
Professional fee	(48,818)	(25,951)
Tax fees	(7,700)	(3,850)
Total other expenses	(160,814)	(120,547)

5. INCOME TAX

a) Income Tax Expense

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

	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Differences are reconciled as follows:		
Profit for the year before income tax expense	5,106,230	1,498,220
Prima facie income tax expense calculated at 30%	1,531,869	449,466
Adjustment to income tax due to:		
Tax offset for excess franked dividend received	(302,334)	(62,596)
Tax offset for dividend withholding tax on foreign securities FY2016	(1,551)	–
Tax adjustment for dividend withholding tax on foreign securities FY2015	765	–
Tax adjustment for unrealised loss on cash and cash equivalents	112	–
Income tax expense	1,228,861	386,870

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

	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Deferred income tax benefit relating to origination and reversal of temporary differences	777,130	(3,348)
Current year tax expense	451,731	390,218
Income tax expense	1,228,861	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.

	30 June 2016 \$	30 June 2015 \$
Other temporary differences	353,048	85,432
	353,048	85,432

d) Deferred Tax Liability

	30 June 2016 \$	30 June 2015 \$
Deferred income tax liability on unrealised gains on fair value of investments	–	–
Other temporary differences	1,117,501	82,084
	1,117,501	82,084

NOTES TO THE FINANCIAL STATEMENTS

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6. DIVIDEND PAID OR PAYABLE

	Dividend rate (cents per share)	Total amount	% Franked	Date of payment
2015 final dividend (declared 28 August 2015)	2.00	430,000	100%	13-Nov-15
2016 interim dividend (declared 17 February 2016)	2.25	515,081	100%	12-May-16
		945,081		

As at 30 June 2016, the outstanding dividend payable was \$49,612. No dividends were paid or declared during the period from 8 May 2014 to 30 June 2015.

Dividend Franking Information

	30 June 2016 \$	30 June 2015 \$
Franking credits available for shareholders from previous financial periods	94,316	–
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	197,400	4,894
Impact on the franking account of dividends paid during the period	(405,035)	–
Impact on the franking account of dividends received during the period	427,013	89,422
Impact on franking account of income tax paid/payable	849,492	–
Adjusted franking account balance	1,163,186	94,316

7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	30 June 2016 \$	30 June 2015 \$
Dividend receivable	468,413	28,546
GST receivable	115,468	43,170
Other receivables	2,506	4,852
Receivable from investments sold	6,359,410	922,638
Prepaid expenses	72,339	78,618
Income tax paid in advance	449,945	–
Spot Fx Receivable	759,190	–
	8,227,271	1,077,824

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 2016 \$	30 June 2015 \$
Investment in listed equity securities	29,385,814	22,046,233
Investment in listed corporate bonds	1,424,430	5,348,682
Total financial assets at fair value through profit or loss	30,810,244	27,394,915

b) Financial Liabilities at Fair Value through Profit or Loss

	30 June 2016 \$	30 June 2015 \$
Investment in listed equity securities – short sales	2,140,670	4,351,768
Investment in derivatives – contracts for differences	–	125,183
Total financial liabilities at fair value through profit or loss	2,140,670	4,476,951

c) Investments in Derivatives

The Company does not hold open contracts for difference (“CFDs”) at the reporting date. 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 is valued at the CFD’s settlement date and is included in the Statement of Profit or Loss and Other Comprehensive Income.

The Company does not hold 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	(3,086,754)	(125,183)

d) Disclosed fair values

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

NOTES TO THE FINANCIAL STATEMENTS

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9. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	30 June 2016 \$	30 June 2015 \$
Auditors' remuneration payable	18,603	18,915
Interest payable	15,123	11,221
Management fees payable	55,172	36,792
Unsettled trades payable	1,654,760	4,634,101
Performance fees payable	1,119,044	224,956
Dividend payable on short sales	–	64,695
Spot Fx Payable	759,699	–
Other payables	86,316	42,209
Total	3,708,717	5,032,889

Payables are non-interest bearing and unsecured. Unsettled 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

	30 June 2016		30 June 2015	
	No. of shares	\$	No. of shares	\$
Issued and paid up capital – Ordinary shares	28,038,750	26,740,114	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 \$	\$
08 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
01 July 2015	Opening balance	21,500,000		19,633,800
	Share option exercise	6,538,750	1.000	6,538,750
	Dividend reinvestment on market shares	193,097		190,369
	Purchase of shares on market for DRP	(193,097)		(190,369)
	Share option reserve	–		567,564
30 June 2016	Closing balance	28,038,750		26,740,114

As a part of the initial public offering, 3 options were issued at zero cost for every 4 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).

11. RESERVES

a) Retained Earnings

	30 June 2016 \$	30 June 2015 \$
Opening balance	1,111,350	–
Net profit attributable to members of the Company	3,877,369	1,111,350
Transfer to profits reserve	(4,988,719)	–
Closing balance	–	1,111,350

b) Share Option Reserve

The fully paid ordinary shares were issued with 3 attaching options for every 4 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

11. RESERVES (CONTINUED)

The movement in the share option reserve is detailed below:

	30 June 2016 \$	30 June 2015 \$
Opening balance	1,866,200	–
Options issued during the period	–	1,866,200
Share option exercise	(567,564)	–
Closing balance	1,298,636	1,866,200

*Within the \$1,866,200 valuation of the options, the Investment Manager owns \$466,550 (5,375,000 options valued at inception for \$0.0868 per option).

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

	30 June 2016 \$	30 June 2015 \$
Opening balance	21,500,000	–
\$1.00 options expiring 30 November 2016	–	16,125,000
\$1.00 options expiring 30 November 2016 (Escrowed)	–	5,375,000
Exercise of options expiring 30 November 2016	(6,538,750)	–
Closing balance	14,961,250	21,500,000

c) Profits Reserve

	30 June 2016 \$	30 June 2015 \$
Opening balance	–	–
Transfer from Retained Earnings	4,988,719	–
Dividends paid	(754,712)	–
Dividend reinvestment on market shares	(190,369)	–
Balance at the end of the year	4,043,638	–

The current year profits and retained earnings were transferred to the profits reserve. To the extent possible under the Corporations Act 2001 and applicable tax laws, this amount is preserved for future dividend payments.

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:

	Year ended 30 June 2016 \$	Period from 8 May 2014 to 30 June 2015 \$
Deloitte Touche Tohmatsu – audit and review of the financial reports	34,500	27,000
Total audit fee expense	34,500	27,000

13. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	30 June 2016 \$	30 June 2015 \$
Cash at bank	2,169,251	7,915,978
Bank overdraft	(2,058,807)	(3,880,657)
	110,444	4,035,321

b) Reconciliation of Profit for the Period to Cash Used in Operating Activities

	30 June 2016 \$	30 June 2015 \$
Profit for the period attributable to shareholders after tax	3,877,369	1,111,350
Adjustments for:		
Change in value of financial assets designated at fair value through profit or loss	(5,681,946)	(1,861,313)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	1,228,861	386,870
Income tax paid	(849,492)	–
Change in assets and liabilities:		
Decrease in trade and other receivables	(503,540)	(155,186)
Increase in trade and other payables	849,708	398,788
Net cash used in operating activities	(1,079,040)	(119,491)

NOTES TO THE FINANCIAL STATEMENTS

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14. KEY MANAGEMENT PERSONNEL

a) Key Management Personnel Compensation

The remuneration of the Company's key management personnel and their related entities for the year ended 30 June 2016 was \$40,000 (2015: \$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.

As at 30 June 2016, NAOS Asset Management Limited holds 1,228,051 shares (4.31%) (2015: 33,552 shares (0.16%)) shares in the Company, and 1,822,189 options.

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:

	Opening balance	Acquired	Sold	Closing balance
	No. of shares	No. of shares	No. of shares	No. of shares
Ordinary shares				
Year ended 30 June 2016				
Mr David Rickards (Chairman)	301,920	163,167	–	465,087
Mr Warwick Evans (Director)	600,000	284,966	–	884,966
Mr Sebastian Evans (Director)	138,552	6,192,346	(4,984,623)	1,346,275
Ordinary 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:

	Opening balance	Acquired	Sold	Closing balance
	No. of options	No. of options	No. of options	No. of options
Options				
Year ended 30 June 2016				
Mr David Rickards (Chairman)	150,000	–	(150,000)	–
Mr Warwick Evans (Director)	375,000	–	(100,000)	275,000
Mr Sebastian Evans (Director)	5,478,892*	2,238,047	(5,894,750)	1,822,189
Options				
For the period from 8 May 2014 to 30 June 2015				
Mr David Rickards (Chairman)	–	150,000	–	150,000
Mr Warwick Evans (Director)	–	375,000	–	375,000
Mr Sebastian Evans (Director)	–	5,478,892*	–	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.

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 year ended 30 June 2016:

- Management fees of \$467,283 (2015: \$252,829) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2016 were \$55,172 (2015: \$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 year ended 30 June 2016:

- Performance fees of \$1,042,746 (2015: \$209,618) (excluding RITC*) were incurred during the year.
- Performance fees payable at 30 June 2016 were \$1,119,044 (2015: \$224,956) (including RITC*).

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

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 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.

The Company's exposure to foreign currency risk is set out in the following table:

	AUD	EUR	GBP	HKD	NZD	USD	Total
30 June 2016							
Assets (in AUD)							
Cash and cash equivalents	1,480,605	–	–	–	382	688,265	2,169,251
Trade and other receivables	8,226,567	–	703	–	–	–	8,227,271
Financial assets at fair value through profit or loss	30,810,244	–	–	–	–	–	30,810,244
Deferred tax assets	353,048	–	–	–	–	–	353,048
Total Assets	40,870,464	–	703	–	382	688,265	41,559,814
Liabilities (in AUD)							
Bank overdraft	2,058,807	–	–	–	–	–	2,058,807
Trade and other payables	2,928,595	282	356	11	–	779,473	3,708,717
Financial liabilities at fair value through profit or loss	2,140,670	–	–	–	–	–	2,140,670
Provision for income tax	451,731	–	–	–	–	–	451,731
Deferred tax liabilities	1,117,501	–	–	–	–	–	1,117,501
Total Liabilities	8,697,304	282	356	11	–	779,473	9,477,426
Net exposure	32,173,160	(282)	347	(11)	382	(91,208)	32,082,388
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

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk (continued)

(i) Currency Risk (continued)

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 (\$)
Year ended 30 June 2016		
EUR/AUD	20%/(20%)	(56)/56
GBP/AUD	20%/(20%)	69/(69)
HKD/AUD	20%/(20%)	(2)/2
NZD/AUD	20%/(20%)	76/(76)
USD/AUD	20%/(20%)	(18,242)/18,242
Period from 8 May 2015 to 30 June 2015		
EUR/AUD	20%/(20%)	(20,440)/20,440
GBP/AUD	20%/(20%)	–/–
HKD/AUD	20%/(20%)	–/–
NZD/AUD	20%/(20%)	–/–
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 2016			
Assets			
Cash and cash equivalents	2,169,251	–	2,169,251
Trade and other receivables	–	8,227,271	8,227,271
Financial assets at fair value through profit or loss	1,424,430	29,385,814	30,810,244
Total Assets	3,593,681	37,613,085	41,206,766
Liabilities			
Bank overdraft	2,058,807	–	2,058,807
Trade and other payables	–	3,708,717	3,708,717
Financial liabilities at fair value through profit or loss	–	2,140,670	2,140,670
Total liabilities	2,058,807	5,849,387	7,908,194
Net exposure	1,534,874	31,763,698	33,298,572

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 sensitivity analyses below have been determined based on the Company's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

	Change in basis points increase/(decrease)	Impact on operating profit/Net assets attributable to shareholders (\$)
30 June 2016		
AUD interest rate	25bps/(25bps)	3,837/(3,837)
30 June 2015		
AUD interest rate	25bps/(25bps)	20,654/(20,654)

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk (continued)

(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 in the Company's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to shareholders as shown in the table below:

	Impact on operating profit/ Net assets attributable to shareholders	
	-10%	10%
	\$	\$
30 June 2016	(2,866,957)	2,866,957
30 June 2015	(2,291,796)	2,291,796

(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 the reporting date is as below:

Industry	% of Portfolio	
	30 June 2016	30 June 2015
Consumer Discretionary	55%	14%
Consumer Staples	13%	5%
Energy	0%	9%
Financial Services and Insurance	0%	17%
Healthcare	4%	5%
Industrials	0%	10%
Mining	3%	3%
Other Industry Sectors	5%	22%
Real Estate	2%	9%
Telecommunication Services	18%	6%
	100%	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 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 2016 to the contractual maturity date.

	30 June 2016				Total \$
	On demand \$	< 1 month \$	1–12 months \$	> 12 months \$	
Bank overdraft	–	2,058,807	–	–	2,058,807
Trade and other payables	–	3,708,717	–	–	3,708,717
Financial liabilities at fair value through profit or loss	–	–	2,140,670	–	2,140,670
Total financial liabilities	–	5,767,524	2,140,670	–	7,908,194

	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 report that enable users to evaluate the significance of financial instruments for the entity, and the nature and extent of risks arising from financial instruments to which the entity is exposed to. Below is an analysis of the financial instruments of the Company.

Level 1:

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

Level 2:

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

Level 3:

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

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Fair Value Hierarchy (continued)

The following table shows an analysis of financial instruments held at 30 June 2016, recorded at fair value and presented by level of the fair value hierarchy:

Financial Assets at Fair Value through Profit or Loss

	30 June 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in listed equity securities	29,385,814	–	–	29,385,814
Investment in listed corporate bonds	1,424,430	–	–	1,424,430
Total financial assets designated at fair value through profit or loss	30,810,244	–	–	30,810,244

	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 2016			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Investment in listed equity securities – short sales	2,140,670	–	–	2,140,670
Total financial liabilities designated at fair value through profit or loss	2,140,670	–	–	2,140,670

	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.

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 2016 the Company had \$30,810,244 (2015: \$27,394,915) financial assets held at fair value through profit or loss included in level 1. As at 30 June 2016 the Company also had \$2,140,670 (2015: \$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 2016 the Company had \$nil (2015: \$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 2016 the Company had \$nil (2015: \$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 Note 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

	Year ended 30 June 2016 cents	Period ended 30 June 2015 cents
Basic earnings per share	17.34	5.17
Diluted earnings per share	17.34	5.17
	Units	Units
Weighted average number of ordinary shares used in the calculation of basic earnings per share	22,365,250	21,500,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	22,365,250	21,500,000
Potential ordinary shares – Options ¹	–	–
	\$	\$
Net profit used in the calculation of basic and diluted earnings per share	3,877,369	1,111,350

1 The outstanding 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 year did not exceed the exercise price of the options.

19. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2016.

20. SUBSEQUENT EVENTS

On 25 August 2016, the Company declared a fully franked dividend of 2.5 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 year ended 30 June 2016;
- 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
25 August 2016

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 2016 the Company had the following investments:

Investment

360 Capital Group Ordinary Shares
Austin Engineering Limited Ordinary Shares
Australian Unity Limited Ordinary Share 4.765% 12/15/20 Floating Rate Note
Broadcast Services Australia Limited Ordinary Shares
Carsales.com Limited Ordinary Shares
Crown Resorts Limited Ordinary Shares
Enero Group Limited Company Ordinary Shares
Event Hospitality and Entertainment Limited Ordinary Shares
Gentrack Group Limited Ordinary Shares
Lindsay Australia Limited Ordinary Shares
My Net Fone Limited Ordinary Shares
Navitas Limited Ordinary Shares
Objective Corporation Ordinary Shares
Patties Foods Limited Ordinary Shares
Ramelius Resources Limited Ordinary Shares
Ramsay Health Care Convertible Preferred Note
Shaver Shop Group Limited Ordinary Shares
Smartgroup Corporation Ltd Ordinary Shares
TFS Corporation Ltd Ordinary Shares
WPP AUNZ Company Ordinary Shares

During the financial year ended 30 June 2016, the Company had 914 (2015: 411) transactions in investment securities.

Total brokerage fees incurred during the year ended 30 June 2016 were \$204,742 (2015: \$53,589).

ADDITIONAL INFORMATION

Continued

20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2016.

Shareholders	Ordinary shares held	% of issued shares
Jalinsons Pty Ltd	3,487,500	11.86
HHY International Holdings 1 Pty Ltd	1,592,340	5.42
NAOS Asset Management Ltd	1,228,051	4.18
Myall Resources Pty Ltd	1,200,000	4.08
Taycol Nominees Pty Ltd	1,006,099	3.42
Nivesa Pty Ltd	884,966	3.01
Moelis Australia Asset	800,000	2.72
LIC Investments Pty Ltd	700,000	2.38
Jetosea Pty Ltd	500,000	1.70
Equitas Nominees Pty Ltd	465,087	1.58
Alex Land Pty Ltd	410,903	1.40
Australian Executor Trustees	400,000	1.36
Minerva Group Pty Ltd	300,000	1.02
IGM Sutherland Pty Ltd	300,000	1.02
Gaseous Pty Ltd	300,000	1.02
Vasnan Pty Ltd	250,000	0.85
Pakids Pty Ltd	250,000	0.85
Equitas Nominees Pty Ltd	250,000	0.85
Mr Mark John Bahen	200,000	0.68
DKL Investment Co Pty Ltd	200,000	0.68
Total	14,724,946	50.08

SUBSTANTIAL SHAREHOLDERS

Shareholders	Ordinary shares held	% of issued shares
Jalinsons Pty Ltd	3,487,500	11.86
HHY International Holdings 1 Pty Ltd	1,592,340	5.42

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2016.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1-1,000	9	3,405	0.01
1,001-5,000	80	269,379	0.92
5,001-10,000	62	556,311	1.89
10,001-100,000	284	10,809,572	36.77
100,001 and over	42	17,760,083	60.41
Totals	477	29,398,750	100.00

VOTING RIGHTS

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

ASX LISTING

Quotation has been granted for all Ordinary Shares and 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 2016, the Company had no 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 34, MLC Centre
Martin Place
Sydney NSW 2000
Telephone: (02) 9002 1576
Facsimile: (02) 8215 0037

Investment Manager

NAOS Asset Management Limited
Level 34, MLC Centre
Martin Place
Sydney NSW 2000
(Australian Financial Services Licence Number: 273529)
Telephone: (02) 9002 1576
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 1, Grosvenor Place
225 George Street
Sydney NSW 2000

