

NAOS Ex-50 Opportunities Company Limited

ASX Code: NAC ACN: 169 448 837

Appendix 4E | Results for Announcement to the Market

Results Announcement for the year ended 30 June 2020

All comparisons are to the year ended 30 June 2019

	\$	up/down	% change
Revenue from ordinary activities	6,490,429	up	819%
Profit from ordinary activities before tax attributable to shareholders	5,016,774	up	298%
Profit from ordinary activities after tax attributable to shareholders	4,113,325	up	489%
Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2020 Final quarterly dividend	1.20	1.20	30%
2020 First quarterly dividend	1.35	1.35	30%
2020 Second quarterly dividend	1.35	1.35	30%
2020 Third quarterly dividend	1.35	1.35	30%
Final Dividend Dates			
Ex-dividend date			31 August 2020
Record date			1 September 2020
Last date for DRP election			2 September 2020
Payment date			16 September 2020
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended fully franked final quarterly dividend of 1.20 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.			
		30 June 2020	30 June 2019
		\$	\$
(Post Tax) Net tangible asset backing per share		1.05	1.01
This report is based on the annual report which has been subject to independent audit by the auditors, Deloitte Touche Tohmatsu Australia. The audit report is included with the Company's Annual Report, which accompanies this Appendix 4E. All the documents comprise the information required by the Listing Rule 4.3A.			



N
A
O
S

NAOS EX-50 OPPORTUNITIES
COMPANY LIMITED

Annual Report 2020

CONTENTS

The Year at a Glance	1
Board of Directors	2
Chairman's Letter	3
Investment Manager's Review	5
Investing with NAOS Asset Management	8
Our Investment Process	9
Our ESG Process	10
Companies Making a Difference	11
Our Team	12
Corporate Governance Statement	13
Directors' Report	15
Auditor's Independence Declaration	22
Independent Auditor's Report	23
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020	26
Statement of Financial Position as at 30 June 2020	27
Statement of Changes in Equity for the year ended 30 June 2020	28
Statement of Cash Flows for the year ended 30 June 2020	29
Notes to the Financial Statements	30
Directors' Declaration	46
Additional Information	47
Corporate Information	50

KEY DATES

2020 ANNUAL GENERAL MEETING

NAOS Ex-50 Opportunities Company Limited advises that its Annual General Meeting will be held at 11:00am on Thursday 12 November 2020 at Morgans, Level 21, Aurora Place, 88 Phillip Street, Sydney NSW 2000. Further details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5:00pm (AEST) on 22 September 2020.

Please join us for our bi-annual Investor Roadshow Webinar

This year we will be hosting the annual investor roadshow presentation online.

The event will be held on Thursday 24 September and there will be a recording available for those who can't make it.

Please look out for more information and your invitation to register coming soon.

We hope you will be able to join us.

NAOS Ex-50 Opportunities Company Limited is a listed investment company and its shares are listed on the Australian Securities Exchange (ASX: NAC). The Company seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and long-term capital growth above the benchmark index, being the S&P/ASX 300 Industrials Accumulation Index (XKIAI).

NAC aims to provide investors with genuine, concentrated exposure to Australian undervalued listed mid-cap companies (market capitalisation generally between \$400 million and \$1 billion+) with an industrial focus.

5.25c

FULLY FRANKED FY20 DIVIDEND

6.65%

FULLY FRANKED DIVIDEND YIELD

\$4.1m

FY20 PROFIT

KEY METRICS AS AT 30 JUNE 2020

Pre-tax Net Tangible Assets per Share	\$1.06
Post-tax Net Tangible Assets per Share	\$1.05
Fully Franked FY20 Dividend	5.25 cents
Fully Franked Dividend Yield	6.65%
Share Price	\$0.79
Shares on Issue	47,181,404
Directors' Shareholding	7,966,337
Pre-tax Net Tangible Assets	\$49.9 million

INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2020

	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	5 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (Total Return)
NAC INVESTMENT PORTFOLIO PERFORMANCE*	+4.15%	+11.16%	+3.91%	+5.99%	+10.57%	+11.06%	+80.55%
S&P/ASX 300 INDUSTRIALS ACCUMULATION INDEX	+2.66%	-7.75%	+0.98%	+3.29%	+5.02%	+5.41%	+34.55%
PERFORMANCE RELATIVE TO BENCHMARK	+1.49%	+18.91%	+2.93%	+2.70%	+5.55%	+5.65%	+46.00%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Since inception (P.A. and Total Return) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.



SEBASTIAN EVANS

Director

Sebastian Evans has been a Director of the Company since inception. Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) and is Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager. Sebastian is the CIO across all investment strategies. Sebastian holds a Masters of Applied Finance majoring in Investment Management (MAppFin) as well as a Bachelor's Degree in Commerce, majoring in Finance and International Business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.

WARWICK EVANS

Director

Warwick Evans has been a Director of the Company since inception. Warwick is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC) and NAOS Asset Management Limited, the Investment Manager. Warwick has over 35 years of equity markets experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001 as well as being an Executive Director for Macquarie Group. He was the founding Chairman and CEO of the Newcastle Stock Exchange (NSX), and 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.

SARAH WILLIAMS

Independent Director

Sarah Williams was appointed as an Independent Director during January 2019. Sarah is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC). Sarah has over 25 years' experience in executive management, leadership, IT and risk management within the financial services and IT industries. Most recently, Sarah was an Executive Director at Macquarie Group holding the role of Head of IT for the Asset Management, Investment Banking and Leasing businesses. During her 18-year tenure at Macquarie Group she also led the Risk and Regulatory Change team and the Equities IT team and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and Pricewaterhouse Coopers in London. Sarah has been a director of charitable organisations including Cure Cancer Australia Foundation and Make a Mark Australia. Sarah holds an Honours Degree in Engineering Physics from Loughborough University and has also studied at the Harvard Business School.

DAVID RICKARDS

Independent Chairman

David Rickards has been a Director and Chairman of the Company since inception. David is also a Director of NAOS Small Cap Opportunities Company Limited (ASX: NSC) and Chairman of NAOS Emerging Opportunities Company Limited (ASX: NCC). David is also Co-Founder of Social Enterprise Finance Australia (SEFA) and up until recently was a Director and Treasurer of Bush Heritage Australia. David has over 25 years of equity market experience, most recently as an Executive Director at Macquarie Group where David was head of equities research globally as well as equity strategy since 1989 until he retired in mid-2013. David was also a Consultant for the financial analysis firm Barra International. David holds a Masters of Business Administration 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 2020 Annual Report for the NAOS Ex-50 Opportunities Company Limited. For the financial year ended 30 June 2020, the Company recorded an after-tax profit of \$4.11 million.

The Board would like to thank all shareholders for their continued support and we warmly welcome all new shareholders who joined the Company over the financial year 2020.



The Company declared a total 5.25 cents per share of fully franked dividends for the FY20 financial year, maintaining the previous year's dividend. The profit reserve balance at year end was \$7.86 million. Since listing, the Company has declared an aggregate 27.50 cents per share of fully franked dividends. The Board continues to be mindful of providing shareholders with a regular, growing stream of fully franked dividends over the longer term.

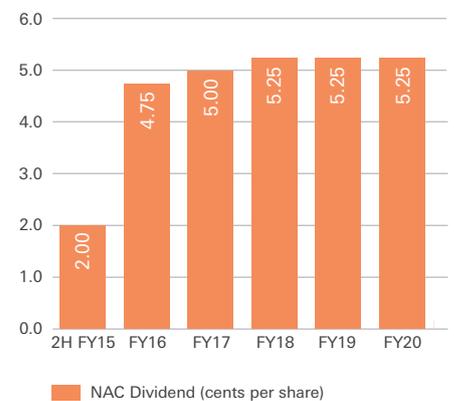
The investment strategy of the Company aims to provide investors with genuine, concentrated exposure to Australian undervalued listed mid-cap companies with an industrial focus. The investment portfolio produced a positive return of +11.16% for the financial year ended 30 June 2020, significantly outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (XKIAI) which produced a negative return of -7.75%.

It proved to be an incredibly unstable year for equity markets, marked by the events of the COVID-19 global pandemic, and ASX listed mid-cap companies were not immune to the volatile environment. However, even with this period of

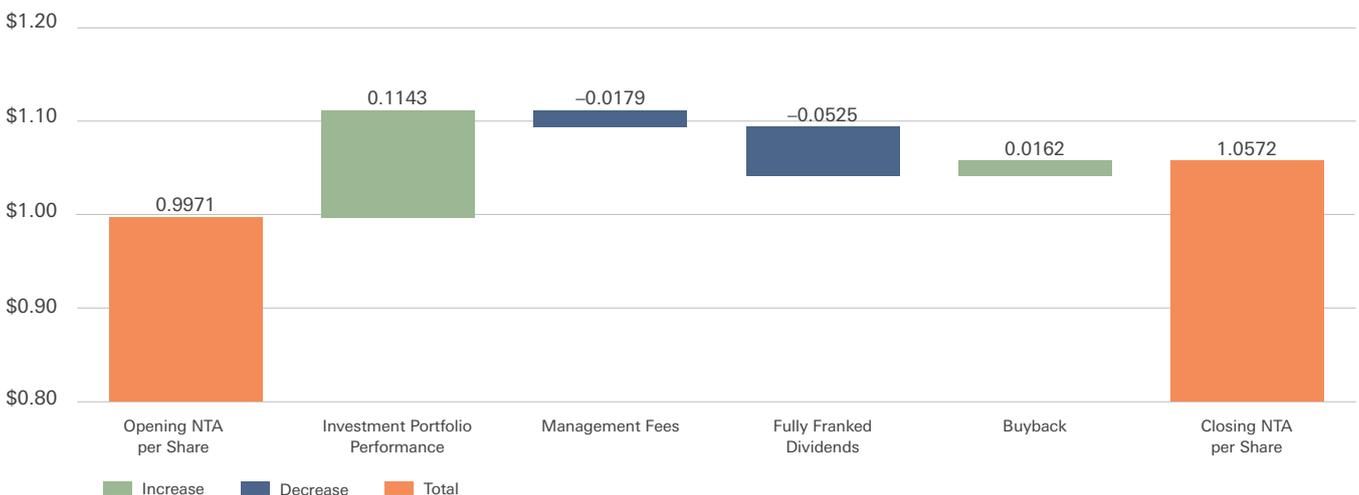
market uncertainty, the companies held in the portfolio generated meaningful outperformance with lower downside risk than the broader market. The Board are confident that through the NAOS investment team maintaining a disciplined approach in line with the NAOS investment philosophy, shareholders can look forward to further outperformance.

The pre-tax net tangible asset backing ('NTA') per share of the Company increased from \$1.00 to \$1.06 over the financial year with positive performance of the investment portfolio increasing NTA per share by 11.4 cents over the year. 5.25 cents per share was paid to shareholders in fully franked dividends, and management fees and other company expenses decreased the NTA by 1.79 cents per share. The Buyback Program was active throughout the financial year, purchasing 4.9 million shares, or 9.4% of shares on issue at a discount to NTA, which added a further 1.62 cents per share to closing NTA.

NAC FULLY FRANKED DIVIDENDS



NAC PRE-TAX NTA PERFORMANCE



"During March 2020 the Board announced a pro-rata, one-for-two issue of bonus options to eligible shareholders. Eligible shareholders received, at no cost, one bonus option for every two shares in the Company that they held on the record date."

Total shareholder return (TSR), which measures the change in the share price and dividends paid over the financial year, was +1.73%. This measure does not include the benefit of franking credits received by shareholders. The share price closed the financial year at \$0.79 which represented a significant discount to pre-tax net tangible asset backing (NTA) of -25.47%, causing the TSR to lag the NTA return for the year.

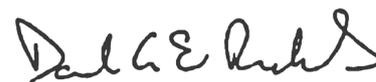
Mindful of the share price discount to NTA, the Board renewed the on-market buyback facility for a further 12 months in June 2020, as the buyback of shares at a discount is accretive to NTA and thus of benefit to all shareholders. For those investors who partake in the Dividend Reinvestment Plan ('DRP'), it is important to note that the Company did not issue shares at a discount to NTA but acquired shares on-market to ensure this capital management activity was completed

without any potential dilution for existing shareholders.

During March 2020 the Board announced a pro-rata, one-for-two issue of bonus options to eligible shareholders. Eligible shareholders received, at no cost, one bonus option for every two shares in the Company that they held on the record date. The Board believes that the Bonus Options Issue is a measured way to allow the Company to grow over the next two to three years whilst not placing undue pressure on the short-term performance and dividend reserves of the Company. The options are listed on the ASX under the code ASX: NACOA with an exercise price of \$1.03 and expiry date of 31 March 2023. The Board remains committed to managing the capital base of the Company in a manner that provides the most suitable framework for maximising potential shareholder return. The Board believes that growing the size of the Company to

between \$200 million and \$300 million is optimal as it not only allows the Investment Manager to maximise performance by accessing meaningful positions in quality companies, but also scales the Company to an appropriate size that lowers the total expenses and costs for all shareholders. Directors increased their holdings over the financial year whilst also taking advantage of the Dividend Reinvestment Plan, and now hold a cumulative 7.97 million shares, continuing to align their interests with those of shareholders.

On behalf of the Board I would like to thank all the staff of the Investment Manager for their continued efforts and dedication throughout the year.



David Rickards
Independent Chairman
20 August 2020



Dear Fellow Shareholders,

For Financial Year 2020 the Investment Portfolio significantly outperformed the benchmark S&P/ ASX 300 Industrials Accumulation Index (XKIAI) by +18.91% by returning +11.16% compared to the XKIAI which fell by -7.75%. Since inception, which is just over 5.5 years, pleasingly the NAC Investment Portfolio has demonstrated long-term outperformance over the benchmark index with a significant return of +11.06% p.a. compared to +5.41% p.a.

**NAC INVESTMENT PORTFOLIO
FY RETURNS***



*Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Inception date is 12 November 2014.

FY20 PORTFOLIO REVIEW

We believe the NAC Investment Portfolio made considerable progress from a business perspective, in what can only be described as one of the most (if not the most) volatile years on record. MNF Group Limited (ASX: MNF) and Objective Corporation Limited (ASX: OCL) stood out this year with regard to progress from a business perspective, and we will discuss each investment in further detail below. It would have been an even stronger year if not for two core holdings underperforming significantly during FY20. Both of these positions have since been removed from the investment portfolio.

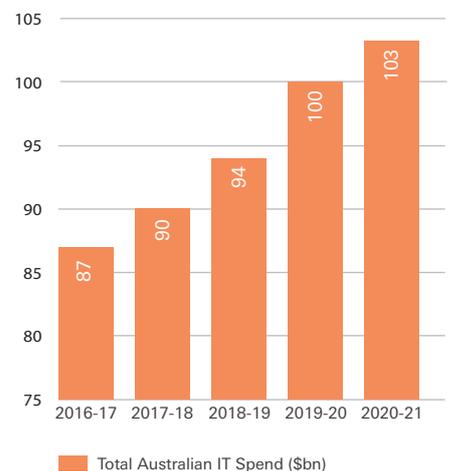
MNF provided FY20 guidance approximately 22 months ago following the acquisition of TIAB Group. Few ASX listed companies have been able to give guidance so far out, let alone hit that guidance figure two years later. Pleasingly MNF has been able to reaffirm this guidance very late in the financial year, even with the uncertainty caused by COVID-19.

We firmly believe that the market is starting to understand the true drivers behind MNF's growth which has been accelerated by the ramifications of COVID-19. As many businesses both domestically and globally have set up their teams to work from home, there has been an extraordinary increase in the need for services such as video calling, webcasts and other voice over internet applications.

Australian IT spend is currently at an all-time high – see graph. As we have said for a number of years, MNF has built the infrastructure that allows these technology providers (i.e. Google, Zoom and Skype) to launch and run their services in certain jurisdictions where the regulatory environment is different from their home country, but where they still require a highly capable network provider that meets their customer's needs.

Looking forward there are three key variables that will drive the earnings growth of MNF over the next one to three years: the structural demand for virtual phone numbers as more people work and study from home; geographical expansion as MNF expands from Australia into New Zealand, Singapore and other South East Asian countries; and finally the strong net cash balance sheet which may well be used by MNF for bolt-on acquisitions to build increased capability for geographical diversification.

AUSTRALIAN IT SPEND*



*Source: Gartner and Australian Bureau of Statistics.

+11.06%**P.A. PORTFOLIO RETURN
SINCE INCEPTION**

In a year where technology businesses have again taken the limelight, Objective Corporation still has a small following and limited research coverage, even though its market capitalisation is rapidly approaching \$1 billion. Over the course of FY20 the share price of OCL rose from approximately \$3.00 per share to \$7.50 by the end of June. In our view, there was no one specific event that drove this increase, rather the culmination of several events and stock specific characteristics.

Over the past three or so years OCL has made a conscious effort to move a significant portion of its client base onto a more recurring style of payment cycles, which has resulted in 75% of the \$70 million reported FY20 revenue figure to be recurring in nature. Over this time OCL has also built up a significant cash balance of \$51 million (at 30 June 2020) which has allowed it to make selective bolt-on acquisitions in Australia and New Zealand to bolster its capability and client base.

What sets OCL apart from many of its peers, and why we believe the earnings, valuations and growth profile will continue to accelerate, is the research and development spend that OCL continues to invest towards new and existing products and services for its clientele. OCL expenses all its research and development ("R&D") spend, unlike many of its peers which capitalise R&D and therefore boost short-term profitability.

Since FY07 OCL has spent \$143 million on R&D initiatives which has all been expensed but has arguably led to solutions that give the company a clear competitive advantage and entrench its relationships with clients such as the NSW Government, the Department of Defence and the Scottish Government. These clients operate in the public sector where process, transparency and security are key considerations and therefore OCL has been able to build on these relationships at the expense of short-term profitability.

Taking this a step further, we believe one of the key reasons why the management team of OCL has been able to make such long-term strategic decisions is the significant alignment that the OCL management team has with ordinary shareholders.

+80.55%**PORTFOLIO RETURN
SINCE INCEPTION
(TOTAL RETURN)**

The shareholding of CEO, Tony Walls, represents over 66% of all the shares on issue.

On a final note it's worth mentioning that since listing we believe OCL is one of very few companies listed on the ASX which has a total number of shares on issue that is lower today than what it was at the Initial Public Offering (IPO). This shows that the Board of Directors are very aware of the underlying long-term value of their shares and will use shareholders' funds to acquire shares on-market if they believe it is the most efficient use of capital.

Even after the re-rating of the OCL share price over the past 12 months we remain very positive on OCL's future and would not be surprised to see it attract much more investor interest over the coming years.

**COMPETING WITH THE
WIND ON YOUR BACK**

Over the past 13 years of investing I believe it has become more apparent than ever that to both minimise the risk of permanent capital loss and to maximise the potential for significant long-term outperformance you must ensure that whatever business you invest in has sound long-term structural tailwinds that ensure that the market in which it operates is growing. With the highly uncertain outlook for the global macro-economic environment, valuations, multiples and short-term earnings trajectories may gyrate significantly – which can lead to highly volatile share prices.

One might assume that most investments would operate in such industries, though often this is not the case. As an example, when we look at many of the largest companies in Australia, many of these operate in industries where there are few to no structural growth trends – i.e. the Big-4 banks, Wesfarmers, IAG Group, Woolworths, AMP and Qantas.

Summarised below are some of the key business and industry specific trends we look for across all of our current and potential investments that we believe assist in both minimising any potential permanent capital loss and maximising the potential for outperformance over the long term.

**INDUSTRY TAILWINDS
SUPPORTING LONG-TERM
REVENUE GROWTH**

Without a doubt one of the most important factors when considering any new investment is understanding its ability to grow its revenue base over the long term. A growing revenue base provides companies with a number of competitive advantages such as the ability to scale their fixed cost base and increase margins, the opportunity to reinvest to improve their product or service offering, or the chance to enter new markets and compete on a number of considerations other than just price (which is often the case in markets that offer little growth).

This may sound simple, but as we have seen with many large domestic-focused businesses, they have only been able to maintain or slightly grow profits through cost cutting. This is due to a stagnant revenue line, which in our view is only sustainable for so many years.

PRICING POWER

Many successful products and/or services around the globe can charge a price that is largely irrelevant to the consumer, due to the simple fact that it provides such a sound consumer experience. This also allows the owners of these products or services to regularly incrementally increase the price, and the end consumer is most likely not overly concerned.

Examples include Microsoft Office, Xero accounting software and Cochlear ear implants. The effect this has, not only on a business's bottom line but also in sustaining its competitive advantage, is significant; and therefore the effect on the valuation multiple paid for such businesses can be two, three or even four times greater than a business that has little pricing power.

+18.91%

**1 YEAR OUTPERFORMANCE
TO BENCHMARK**

SCALABILITY

Numerous businesses strive to be much larger than they are today. However, it is often the case that when businesses grow, the effect on their operations and bottom line is not what was originally anticipated. Ideally, a business structure is built from the ground up and is structured in such a way that it has the systems and processes to handle significant scaling without an equivalent dollar of cost being added to the cost base.

Businesses that can demonstrate a trend of increasing profits over the long term have generally been able to increase margins as well. However, such businesses are few and far between.

CAPABILITY TO INTERNALLY FUND EXPANSION OPPORTUNITIES

Finally, in our view no business can grow without the ability to invest in organic business initiatives such as research and development, new product or service launches into adjacent markets, or small bolt-on acquisitions that bring with them a new capability.

Successful products and services can mature over time for a variety of reasons, so any business should be looking to the future to understand and plan for what will be driving the business forward in three to five years' time. Very few businesses can do this, and many business leaders don't have the vision or discipline to successfully look this far ahead.

In our view businesses who follow these principles, such as Reece (ASX: REH) and CSL (ASX: CSL), often see investors being happy to pay a premium to own shares in these businesses.



“Finally, in our view no business can grow without the ability to invest in organic business initiatives such as research and development, new product or service launches into adjacent markets, or small bolt-on acquisitions that bring with them a new capability.”

LOOKING FORWARD

As mentioned previously, the potential for short-term market volatility is significant due to the unprecedented and uncertain global macroeconomic backdrop that we are currently experiencing. In saying this, NAOS prides itself on having a long-term investment philosophy with a bottom-up stock selection process that should deliver sound long-term performance.

Many of the core holdings within the NAC Investment Portfolio are entering FY21 with significant momentum across many aspects of their business. The investments which we believe may have the brightest 12 months ahead include Over The Wire Limited (ASX: OTW), OCL and Tuas Ltd (ASX: TUA). All these investments have several factors in common including growing revenue bases, the ability to scale with little further investment, low valuation multiples and little to no institutional investor ownership or research coverage.

As with all micro/small-cap businesses, if a business can show earnings growth of circa 10% to 20% in a given year and increase its valuation multiple from say, 12 to 15 times, through greater demand for its shares, then the total return for an investor may well be ~45% prior to any dividend payments. Clearly this does not occur every year; but for businesses with

significant tailwinds and a lack of research coverage it may well last for a number of years, and we are of the firm belief that we have a number of candidates in the portfolio that could potentially produce similar results.

I would like to thank all our very loyal shareholders for your support, many of whom have been with us since the Initial Public Offering of NAC in November 2014.

As always if you have any questions or queries please don't hesitate to contact myself or any member of the NAOS team.

All the best for FY21.

Sebastian Evans
Managing Director/
Chief Investment Officer
NAOS Asset Management Limited

NAOS ASSET MANAGEMENT ('NAOS') is a specialist fund manager providing genuine, concentrated exposure to Australian listed industrial companies outside of the ASX 50.

With a proven performance track record, NAOS seeks to protect investor capital whilst providing a sustainable growing stream of fully franked dividends and long-term capital growth above the relative benchmark index.

OUR INVESTMENT BELIEFS

VALUE WITH LONG-TERM GROWTH

We believe in investing in businesses where the earnings today are not a fair reflection of what the same business will earn over the longer term. Ultimately, this earnings growth can be driven by many factors including revenue growth, margin growth, cost synergies, acquisitions and even share buybacks. The end result is earnings growth over a long-term investment horizon even if the business was perceived to be a value type business at the time of the initial investment.

QUALITY OVER QUANTITY

Excessive diversification, or holding too many investments, may be detrimental to overall portfolio performance. We believe it is better to approach each investment decision with conviction. In our view, to balance risk and performance most favourably, the ideal number of quality companies in each portfolio would generally be 0 to 20.

INVEST FOR THE LONG TERM

As investors who are willing to maintain perspective by taking a patient and disciplined approach, we believe we will be rewarded over the long term. If our investment thesis holds true we persist. Many of our core investments have been held for three or more years where management execution has been consistent and the value proposition is still apparent.

MANAGEMENT ALIGNMENT

We believe in backing people who are proven and aligned with their shareholders. One of the most fundamental factors which is consistent across the majority of company success stories in our investment universe is a high quality proven management team with 'skin in the game'. NAOS Directors and staff members are significant holders of shares on issue across our strategies, so the interests of our shareholders are well aligned with our own.

IGNORE THE INDEX

This means we are not forced holders of stocks with large index weightings that we are not convinced are attractive investment propositions.

We actively manage each investment to ensure the best outcome for our shareholders and only invest in companies that we believe will provide excellent, sustainable long-term returns.

PURE EXPOSURE TO INDUSTRIALS

With the big four banks making up a large portion of total domestic equity holdings for the SMSF investor group, many Australian investors are at risk of being overexposed to one sector and may be missing out on opportunities to invest in quality companies in industries such as Media, Advertising, Agriculture or Building Materials. Australian listed industrial companies outside the ASX 50 are our core focus, and we believe the LICs we manage provide pure access to these companies which may be lesser known by the broader investment community.

PERFORMANCE VS LIQUIDITY FOCUS

We believe in taking advantage of inefficient markets; the perceived risk associated with low liquidity (or difficulty buying or selling large positions) combined with investor short-termism presents an opportunity to act based purely on the long-term value proposition where the majority may lose patience and move on. Often illiquidity is caused by aligned founders or management having significant holdings in a company. NAOS benefits from a closed-end LIC structure, which means we do not suffer 'redemption risk' and we can focus on finding quality undervalued businesses regardless of their liquidity profile.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy. NAOS is a signatory to the UN-supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into our investment practices.

CONSTRUCTIVE ENGAGEMENT

NAOS entities are not activist investors; due to our investment approach it is common for NAOS to establish a substantial shareholding in a company with a long-term (five years+) investment horizon.

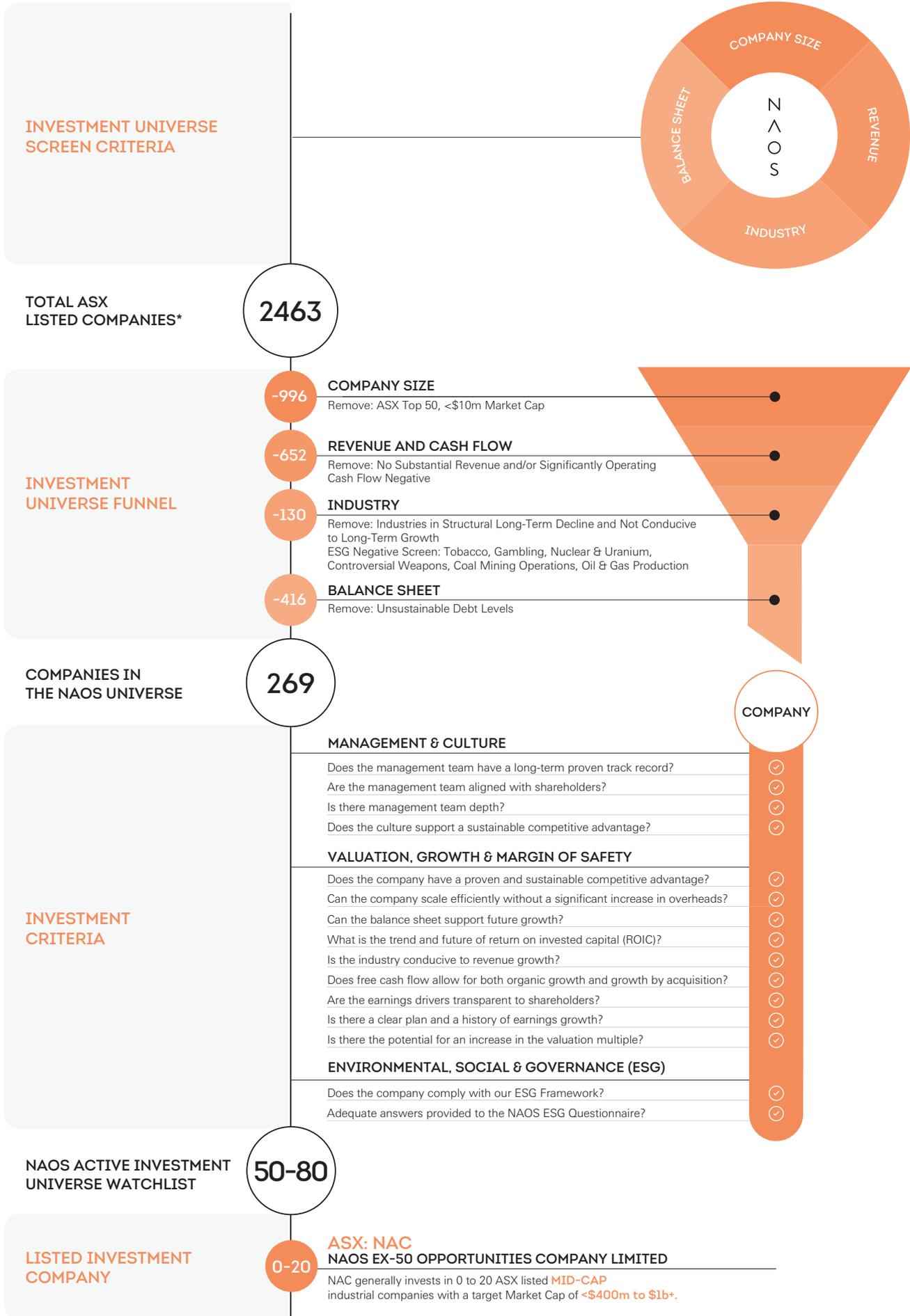
This approach allows us to supportively engage with the boards and/or management teams of our portfolio holdings.

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

- Growth capital if/when required
- Messaging and communications
- Capital management decisions
- Company strategy
- Board composition

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

OUR INVESTMENT PROCESS



* Source: Bloomberg Data June 2020

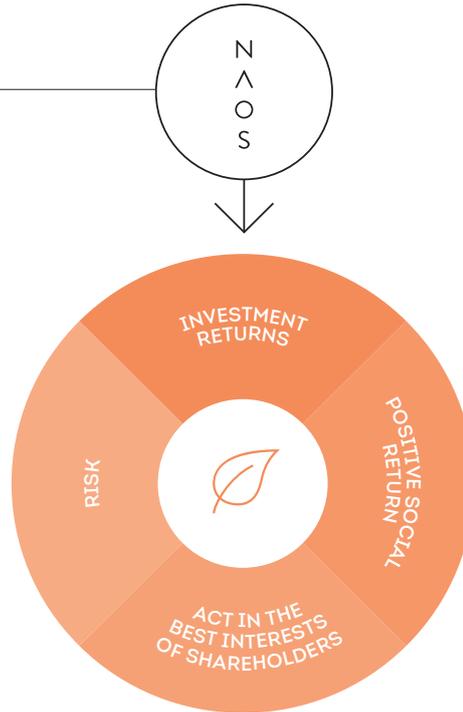
01

OUR COMMITMENT TO RESPONSIBLE INVESTMENT

As an investment manager, NAOS recognises and accepts its duty to act responsibly and in the best interests of shareholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors is associated with a sustainable business model over the longer term that benefits not only shareholders but also the broader economy.

We recognise the material impacts that ESG factors can have on investment returns and risk, and also the wider implications for achieving a positive social return.

NAOS is a signatory to the United Nations supported Principles for Responsible Investment (PRI) and is guided by these principles in incorporating ESG into our investment practices.



02

NEGATIVE SCREENS

NAOS systematically excludes investing in specific industries and companies that do not align with our responsible investment goals.



03

ESG FRAMEWORK

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



04

THE INCORPORATION OF ESG AND COMPANY QUESTIONNAIRE

The incorporation of ESG considerations into the investment process applies across all NAOS investments, and involves regular discussions and engagement with companies over material ESG issues.

During FY20, NAOS developed and commenced the rollout of a comprehensive ESG questionnaire for core investee companies to complete. The questionnaire strengthens our existing ESG process and highlights how investee companies are making a positive difference.

NAOS supports the adoption of a responsible investment strategy, and is committed to ensuring that this is an integral part of the NAOS investment process.

COMPANIES MAKING A DIFFERENCE

MNF GROUP LIMITED (ASX: MNF)



The incorporation of ESG considerations into the investment process applies across all NAOS investments. During FY20 NAOS developed and commenced the rollout of a comprehensive ESG questionnaire for core investee companies to complete.

The questionnaire strengthens the existing ESG process and highlights how companies within the investment portfolio are making a difference. MNF Group completed the questionnaire during FY20, and selected responses are shown below.

5+ YEARS

NAOS CORE INVESTMENT

\$482 MILLION

MNF MARKET CAPITALISATION
30 JUNE 2020

INDUSTRY

DEVELOPMENT AND OPERATION
OF A GLOBAL COMMUNICATIONS
'SMART' NETWORK AND INNOVATIVE
SOFTWARE SUITE

"MNF Group is dedicated to making a positive difference, be that through our corporate social responsibility initiatives, our environmental commitments or the diversity of our workforce. We're excited to add even more great initiatives into our CSR program in the coming year."

Rene Sugo, Chief Executive Officer

HOW MNF IS MAKING A DIFFERENCE

THE FOLLOWING EXAMPLES WERE PROVIDED BY MNF GROUP:



ENVIRONMENTAL

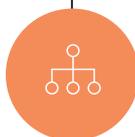
In line with our Corporate Social Responsibility ("CSR") Policy and our commitment to the environment, MNF has recently implemented a system to track our energy consumption to enable us to re-evaluate our practices and set KPIs to ensure we improve our energy efficiency. All employee flights are carbon offset through reputable airline offset programs and we recycle 100% of our Australian e-waste.



SOCIAL

'We Care' is a core value at MNF Group. We support the health and wellbeing of our people and give them opportunities to support local communities. MNF's Wellbeing program provides employee assistance with free counselling sessions, paid domestic violence leave, parental leave including a provision in the event of a stillbirth and blood donations with Red25. Our CSR framework includes charity fundraisers, payroll giving and volunteer days.

MNF is committed to investing time in our CSR program, as well as assigning 0.44% of NPAT to it.



GOVERNANCE

MNF's Code of Conduct sets out the company's expectations in relation to ethical and professional behaviour and standards. All Directors and employees acknowledge their agreement with the Code of Conduct by signing it. The Code of Conduct complements our company values of:

- Deliver excellence
- Be brave
- Collaborate
- Honest and fair
- We care



**SEBASTIAN
EVANS**

Chief Investment Officer

See bio on page 2.



**BEN
RUNDLE**

Portfolio Manager

Ben joined NAOS in January 2015 as a Portfolio Manager.

Ben has been working in the financial markets since February 2006 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.



**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 14 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, is a fully qualified Chartered Accountant, and is a member of the Governance Institute of Australia.



**ANGELA
ZAMMIT**

**Marketing and
Communications Manager**

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

Prior to joining NAOS, Angela held Marketing roles for companies in both Australia and the UK including SAI Global, American Express, Citibank and Arete Marketing.

Angela holds a Bachelor of Communications degree majoring in Advertising and Marketing from the University of Canberra.



**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.



**JULIA
O'BRIEN**

**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 University of Technology Sydney (UTS) and she also holds a Graduate Diploma in Applied Finance from KAPLAN.



**NINA
DUNN**

**Business Development
Manager**

Nina Dunn joined NAOS in July 2020 as the Business Development Manager. Prior to consulting, Nina worked as the Director of Marketing at Morrow Sodali. She has spent much of her career in the funds management industry working in senior investor relations and marketing roles for Wilson Asset Management, Ellerston Capital and Select Asset Management. She has a Bachelor of Arts (Business) from the University of Sydney and a Graduate Diploma of Financial Markets from the Financial Services Institute of Australia (FINSIA).

CORPORATE GOVERNANCE

The Board of NAOS Ex-50 Opportunities Company Limited is committed to achieving and demonstrating the highest standards of corporate governance. As such, the Company has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of its activities.

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

CONTENTS

Directors' Report	15
Auditor's Independence Declaration	22
Independent Auditor's Report	23
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020	26
Statement of Financial Position as at 30 June 2020	27
Statement of Changes in Equity for the year ended 30 June 2020	28
Statement of Cash Flows for the year ended 30 June 2020	29
Notes to the Financial Statements	30
Directors' Declaration	46
Additional Information	47
Corporate Information	50

DIRECTORS' REPORT

The Directors present their report together with the financial report of NAOS Ex-50 Opportunities Company Limited ("the Company") for the year ended 30 June 2020.

COMPANY INFORMATION

The Company is a listed investment company ("LIC") and its shares are listed on the Australian Securities Exchange. The Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence Number 273529) (the "Investment Manager").

PRINCIPAL ACTIVITIES

The Company invests primarily in a concentrated portfolio of mid-cap Australian listed equities through a long biased structure with the objective of providing investors with genuine exposure to mid-cap industrial companies, with a long-term value focus.

DIRECTORS AND OFFICERS

Directors

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

Name	Appointment Date	Period of Office
David Rickards (Independent Chairman)	8 May 2014	8 May 2014 – Present
Warwick Evans	8 May 2014	8 May 2014 – Present
Sebastian Evans	8 May 2014	8 May 2014 – Present
Sarah Williams	31 January 2019	31 January 2019 – Present

The qualifications and experience of each person who has been a Director of the Company at any time since 1 July 2019 are provided below.

DIRECTORS INFORMATION

David Rickards – Independent Chairman

David has been an independent Director and Chairman of the Company since inception (8 May 2014). David is also an independent Director and Chairman of NAOS Emerging Opportunities Company Limited (ASX: NCC) and an independent Director of NAOS Small Cap Opportunities Company Limited (ASX: NSC).

David is Co-Founder of Social Enterprise Finance Australia (SEFA) and until recently was a Director and Treasurer of Bush Heritage Australia.

David has over 25 years of equity market experience, most recently as an Executive Director at Macquarie Group where David was head of equities research globally as well as equity strategy since 1989 until he retired in mid-2013. David was also a Consultant for the financial analysis firm Barra International.

David holds a Masters of Business Administration 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).

Warwick Evans – Non-independent Director

Warwick Evans has been a Director of the Company since inception (8 May 2014). Warwick is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC), and Chairman of NAOS Asset Management Limited, the Investment Manager.

Warwick has over 35 years of equity market experience, most notably as Managing Director for Macquarie Equities (globally) from 1991 to 2001 as well as being an Executive Director for Macquarie Group. He was the founding Chairman and CEO of the Newcastle Stock Exchange (NSX), and was also Chairman of the Australian Stockbrokers Association. Prior to these positions he was an Executive Director at County NatWest.

DIRECTORS' REPORT

Continued

Warwick holds a Bachelor's degree in Commerce majoring in Economics from the University of New South Wales.

Sebastian Evans – Non-independent Director

Sebastian Evans has been a Director of the Company since inception (8 May 2014) and also joint company secretary since 10 July 2019. Sebastian is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Small Cap Opportunities Company Limited (ASX: NSC); and is Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager. Sebastian is the CIO across all investment strategies.

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

Sarah Williams – Independent Director

Sarah Williams was appointed as a Director of the Company on 31 January 2019. Sarah is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management within the financial services and IT industries. Most recently, Sarah was an Executive Director at Macquarie Group holding the role of Head of IT for the Asset Management, Investment Banking and Leasing businesses. During her 18-year tenure at Macquarie Group she also led the Risk and Regulatory Change team, the Equities IT team and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and PricewaterhouseCoopers in London.

Sarah has also been a director of charitable organisations including Cure Cancer Australia Foundation and Make a Mark Australia. Sarah holds an Honours Degree in Engineering Physics from Loughborough University and has also studied at the Harvard Business School.

COMPANY SECRETARY

The following persons held office as company secretary during or since the end of the year.

Name	Appointment Date	Period of Office
Laura Newell	10 July 2019	10 July 2019 – Present
Sebastian Evans	10 July 2019	10 July 2019 – Present
Rajiv Sharma	27 September 2017	27 September 2017 – 10 July 2019

COMPANY SECRETARY INFORMATION

Laura Newell, Company Secretary (appointed 10 July 2019)

Laura is an experienced Chartered Company Secretary who has worked for a broad range of organisations, both in-house and for corporate secretarial service providers.

Laura has over eight years of experience in company secretarial and governance management of ASX and NSX listed entities, unlisted public entities and FTSE100 entities. She has worked with boards and executive management of listed and unlisted companies across a range of industry sectors.

Laura is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Masters degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA).

MEETINGS OF DIRECTORS

The following table shows the number of Board meetings for the year ended 30 June 2020.

	Year ended 30 June 2020	
	Eligible to attend	Attended
Mr David Rickards (Chairman)	13	13
Mr Warwick Evans (Director)	13	12
Mr Sebastian Evans (Director)	13	13
Ms Sarah Williams (Director)	13	13

REVIEW OF OPERATIONS

The Company's operating profit before tax for the year ended 30 June 2020 was \$5,016,774 (30 June 2019: operating loss before tax of \$2,534,253), and operating profit after tax for the year of \$4,113,325 (30 June 2019: operating loss after tax of \$1,058,206). The profit for the year is primarily attributable to the strong performance of the investment portfolio, which in extremely volatile market conditions delivered a positive return of +11.16% for the financial year, outperforming the benchmark S&P/ASX 300 Industrials Accumulation Index which returned -7.75% for the financial year.

The post-tax Net Tangible Asset ("NTA") value per share of the Company has increased from \$1.01 to \$1.05 over the year. After adjusting for the 5.25 cents per share of fully franked dividends paid to shareholders during the year, the NTA return was +9.16%.

The on-market share buyback continued to be active during the financial year to take advantage of the discount of the share price relative to NTA. During the financial year, a total of 4,897,712 shares were bought back for a total consideration of \$4,486,739. The buyback of shares by the Company at a discount is accretive to NTA per share and as such the Board considers the buyback program to be an effective use of the Company's capital and thus in the interests of all shareholders.

Please refer to the Investment Managers report on page 5 for further information regarding the performance of the Company.

FINANCIAL POSITION

The net tangible asset value of the Company as at 30 June 2020 was \$49,621,846 (2019: \$52,572,209). Further information on the financial position of the Company is included in the Chairman's letter.

DIVIDENDS PAID OR PAYABLE

Year ended 30 June 2020	Dividend rate (cents per share)	Total \$ amount	% Franked	Date of payment
2019 Final quarterly dividend (declared 22 August 2019)	1.20	617,476	100%	16 September 2019
2020 First quarterly interim dividend (declared 17 October 2019)	1.35	680,312	100%	19 November 2019
2020 Second quarterly interim dividend (declared 20 February 2020)	1.35	642,762	100%	18 March 2020
2020 Third quarterly interim dividend (declared 18 May 2020)	1.35	638,974	100%	18 June 2020
		2,579,524		

Year ended 30 June 2019	Dividend rate (cents per share)	Total \$ amount	% Franked	Date of payment
2018 Final dividend (declared 23 August 2018)	2.50	1,313,423	100%	19 September 2018
2019 First quarterly interim dividend (declared 16 October 2018)	1.35	709,248	100%	19 November 2018
2019 Second quarterly interim dividend (declared 15 February 2019)	1.35	709,248	100%	11 March 2019
2019 Third quarterly interim dividend (declared 17 May 2019)	1.35	709,248	100%	18 June 2019
		3,441,167		

Since 30 June 2020, the Board has declared a final dividend of 1.20 cents per share, fully franked, to be paid on 16 September 2020.

DIRECTORS' REPORT

Continued

OPTIONS ISSUE

During the year, the Company conducted a 1-for-2 bonus options issue with a record date of 19 March 2020 which entitled eligible shareholders to a bonus option to purchase new shares in the Company at an exercise price of \$1.03, and which expire on 31 March 2023. There were 23,789,370 bonus options issued, which are listed on the ASX under code NACOA, and 2,500 bonus options have been exercised as at 30 June 2020.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On 20 August 2020, the Company declared a fully franked dividend of 1.20 cents per share.

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

LIKELY DEVELOPMENTS

The Company will be managed in accordance with the Constitution and its investment objectives.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Company.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the Company paid premiums in respect of contracts insuring the Directors against a liability incurred as a Director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability as such an officer or auditor.

NON-AUDIT SERVICES

During the year Deloitte Touche Tohmatsu, the Company's auditor, performed other services in addition to their statutory duties for the Company as disclosed in Note 11 to the financial statements.

The Board is satisfied that the provision of other services during the year is compatible with the general standard of independence of auditors imposed by the Corporations Act. The Directors are satisfied that the services disclosed in Note 11 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 22.

REMUNERATION REPORT - AUDITED

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

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

Remuneration of Directors

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

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

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

Director's remuneration received for the year ended 30 June 2020 and 30 June 2019 is disclosed below:

	Short-term employee benefits Directors' fees \$	Post- employment benefit Super- annuation \$	Total \$
30 June 2020			
Mr David Rickards (Chairman)	27,397	2,603	30,000
Mr Warwick Evans (Director)	9,132	868	10,000
Ms Sarah Williams (Director)	13,699	1,301	15,000
Mr Sebastian Evans (Director)	–	–	–
	48,457	6,543	55,000

	Short-term employee benefits Directors' fees \$	Post- employment benefit Super- annuation \$	Total \$
30 June 2019			
Mr David Rickards (Chairman)	27,397	2,603	30,000
Mr Warwick Evans (Director)	9,132	868	10,000
Ms Sarah Williams (Director)	5,708	542	6,250
Mr Sebastian Evans (Director)	–	–	–
	42,237	4,013	46,250

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

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (CONTINUED)

Interests in Shares and Bonus Options of the Company

During the year ended 30 June 2020 and the year ended 30 June 2019, the relevant interests of the Directors and their related parties in the shares and bonus options of the Company were:

Ordinary shares Year ended 30 June 2020	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
Mr David Rickards (Chairman)	563,973	192,265	–	756,238
Mr Warwick Evans (Director)	1,421,054	230,478	–	1,651,532
Mr Sebastian Evans (Director)	5,541,487	1,617	–	5,543,104
Ms Sarah Williams (Director)	–	15,463	–	15,463

Ordinary shares Year ended 30 June 2019	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
Mr David Rickards (Chairman)	525,669	38,304	–	563,973
Mr Warwick Evans (Director)	1,385,557	35,497	–	1,421,054
Mr Sebastian Evans (Director)	5,289,726	251,761	–	5,541,487
Ms Sarah Williams (Director)	–	–	–	–

Bonus Options Year ended 30 June 2020	Opening balance No. of bonus options	Issued No. of bonus options	Sold No. of bonus options	Closing balance No. of bonus options
Mr David Rickards (Chairman)	–	371,875	–	371,875
Mr Warwick Evans (Director)	–	821,568	–	821,568
Mr Sebastian Evans (Director)	–	2,771,323	–	2,771,323
Ms Sarah Williams (Director)	–	7,731	–	7,731

REMUNERATION REPORT (CONTINUED)

Consequences of the Company's performance on shareholder wealth

The following table summarises Company performance and Directors' Remuneration. Directors' fees are not linked to the Company's performance.

	2020	2019	2018	2017	2016
Operating profit/(loss) after tax (\$)	4,113,325	(1,058,206)	3,880,720	1,082,354	3,877,369
Fully franked dividends (cents per share)	5.25	5.25	5.25	5.00	4.75
NTA after tax (\$ per share)	1.05	1.01	1.09	1.07	1.14
Total Directors' remuneration (\$)	55,000	46,250	40,000	40,000	40,000
Number of Directors	4	4	3	3	3
Shareholders' equity (\$)	49,621,846	52,572,209	57,440,990	56,318,457	32,082,388

End of Remuneration Report (Audited)

Signed in accordance with a resolution of directors of the Company made pursuant to Section 298 (2) of the Corporations Act 2001.



Sebastian Evans
Director
20 August 2020

Deloitte.

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

Level 2, Brindabella Business Park
8 Brindabella Circuit
Canberra ACT 2609 Australia

Tel: +61 (0) 2 6263 7000
Fax: +61 (0) 2 6263 7001
www.deloitte.com.au

The Board of Directors
NAOS Ex-50 Opportunities Company Limited
Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000

20 August 2020

Dear Directors,

NAOS Ex-50 Opportunities Company Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of NAOS Ex-50 Opportunities Company Limited.

As lead audit partner for the audit of the financial statements of NAOS Ex-50 Opportunities Company Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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

Level 2, Brindabella Business Park
8 Brindabella Circuit
Canberra ACT 2609 Australia

Tel: +61 (0) 2 6263 7000
Fax: +61 (0) 2 6263 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of NAOS Ex-50 Opportunities Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NAOS Ex-50 Opportunities Company Limited (the "Company"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of NAOS Ex-50 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 2020 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Valuation and existence of financial assets held at fair value through profit or loss</p> <p>As at 30 June 2020, the Company's listed equity securities held at fair value through profit or loss totalled \$49.9 million as disclosed in Notes 7 and 16.</p> <p>Whilst there is not significant judgement in determining the valuation of Company's financial assets held at fair value through profit or loss, these represent the most significant driver of the Company's revenue and its performance.</p> <p>The fluctuations in financial assets valuation also impacts the realised and unrealised gains/(losses) recognised in the statement of profit or loss and other comprehensive income, which in turn also affects the current and deferred tax provisions.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • evaluating key controls in place at the outsourced service providers (i.e. administrator and custodian) in relation to the valuation and existence of financial assets at fair value through profit or loss, including any exceptions noted; • agreeing in total, the valuation of listed equity securities to an independent pricing source; • agreeing in total, the investment holdings to the external custodian's holdings statement; and • reperforming a reconciliation of the financial assets balance for the year, including the 1 July 2019 investment balance, purchases, sales, other relevant transactions and the 30 June 2020 investment balance. <p>We also assessed the appropriateness of the disclosures in Notes 7 and 16 to the financial statements.</p>

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Organisation.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 21 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of NAOS Ex-50 Opportunities Company Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon
Partner
Chartered Accountants
Canberra, 20 August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Income	3	6,490,429	(903,164)
Expenses			
Management fees	15	(933,560)	(971,489)
Dividend expense on short sales		–	(182,143)
Custody fees		(29,958)	(30,958)
Administration fees		(56,615)	(57,764)
Directors' remuneration		(55,000)	(46,250)
ASX fees		(84,249)	(45,328)
Auditor's remuneration	11	(44,500)	(44,500)
Registry fees		(37,375)	(37,531)
Company secretarial fees		(31,900)	(31,900)
Other expenses from ordinary activities		(200,498)	(183,226)
Profit/(loss) before income tax expense		5,016,774	(2,534,253)
Income tax (expense)/benefit	4(a)	(903,449)	1,476,047
Profit/(loss) for the year attributable to shareholders of the Company		4,113,325	(1,058,206)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income/(loss) for the year attributable to shareholders of the Company		4,113,325	(1,058,206)
Basic and diluted earnings per share (cents per share)	17	8.38	(2.02)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	As at 30 June 2020 \$	As at 30 June 2019 \$
Assets			
Cash and cash equivalents	12(a)	270,992	4,418,878
Trade and other receivables	6	467,757	682,839
Financial assets at fair value through profit or loss	7	49,882,767	47,165,895
Deferred tax assets	4(b)	1,484,349	1,276,287
Total assets		52,105,865	53,543,899
Liabilities			
Trade and other payables	8	740,586	339,768
Deferred tax liabilities	4(c)	1,743,433	631,922
Total liabilities		2,484,019	971,690
Net assets		49,621,846	52,572,209
Equity			
Issued capital	9	48,674,617	53,158,781
Profits reserve	10(a)	7,861,307	2,214,042
Accumulated losses	10(b)	(6,914,078)	(2,800,614)
Total equity		49,621,846	52,572,209

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital \$	Accumulated losses \$	Profits reserve \$	Total Equity \$
Balance at 1 July 2018	53,528,189	(1,742,408)	5,655,209	57,440,990
Loss for the Year	–	(1,058,206)	–	(1,058,206)
Dividend paid	–	–	(3,441,167)	(3,441,167)
DRP shares allotted	330,480	–	–	330,480
Purchase of shares on-market for DRP	(330,480)	–	–	(330,480)
Shares bought back from shareholders	(369,408)	–	–	(369,408)
Balance at 30 June 2019	53,158,781	(2,800,614)	2,214,042	52,572,209
Profit for the Year	–	4,113,325	–	4,113,325
Transfer to Profits Reserve	–	(8,226,789)	8,226,789	–
Dividend paid	–	–	(2,579,524)	(2,579,524)
DRP shares allotted	247,752	–	–	247,752
Purchase of shares on-market for DRP	(247,752)	–	–	(247,752)
Share options exercised	2,575	–	–	2,575
Shares bought back from shareholders	(4,486,739)	–	–	(4,486,739)
Balance at 30 June 2020	48,674,617	(6,914,078)	7,861,307	49,621,846

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Year ended 30 June 2020	Year ended 30 June 2019
Note	\$	\$
Cash flows from operating activities		
Payments for purchase of investments	(94,111,453)	(135,065,067)
Proceeds from sale of investments	96,481,130	138,282,166
Dividends received	1,964,569	2,633,741
Dividends paid – short sales	–	(182,143)
Interest received	9,416	83,786
Management fees paid	(935,954)	(982,753)
Performance fee paid	–	(241,330)
Directors' remuneration paid	(55,000)	(46,250)
Income tax refund	–	31,738
Administration and tax service fee paid	(69,662)	(69,020)
ASX fees paid	(84,249)	(45,328)
Audit fees paid	(51,610)	(42,147)
Custody fees paid	(26,521)	(26,947)
Registry fees paid	(47,492)	(40,502)
Company secretarial fees paid	(31,900)	(31,900)
Other payments	(124,073)	(120,520)
Net cash provided by operating activities	12(b) 2,917,201	4,137,524
Cash flows from financing activities		
Dividends paid net of amounts reinvested	(2,333,171)	(3,108,170)
Purchase of shares on-market for dividend reinvestment plan	(247,752)	(330,480)
Share buybacks	(4,486,739)	(369,408)
Share options exercised	2,575	–
Net cash used in financing activities	(7,065,087)	(3,808,058)
Net (decrease)/increase in cash and cash equivalents	(4,147,886)	329,466
Cash and cash equivalents at the beginning of the year	4,418,878	4,089,412
Cash and cash equivalents at the end of the year	12(a) 270,992	4,418,878

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

Continued

GENERAL INFORMATION

NAOS Ex-50 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 (the "Investment Manager") is the investment manager for the Company. The financial statements were authorised for issue by the Directors on 20 August 2020.

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 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 judgments, 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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

b) Prior Year Comparatives

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

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current year presentation.

c) Statement of Compliance

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

d) Reporting Currency

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

e) Going Concern Basis

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

f) Revenue and Income Recognition

Revenue

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

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

Dividends

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

Interest Income

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

g) Cash and Cash Equivalents

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

h) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 "Financial Instruments: Presentation", are categorised in accordance with AASB 9 "Financial Instruments". This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial period end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments in Financial Instruments (continued)

(i) Initial recognition, measurement and derecognition

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

At initial recognition, the Company measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income. Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(ii) Classification and subsequent measurement

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

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

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECL") on financial assets excluding investments that are measured at fair value through profit and loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, and general economic conditions at the reporting date, including time value of money where appropriate.

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

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

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.

i) Expenses

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

j) Receivables

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

k) Payables

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

l) Taxation

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Taxation (continued)

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

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

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

m) Dividends

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

n) Share Capital

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

o) Profits Reserve

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

p) Goods and Services Tax ("GST")

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

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

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

q) Earnings Per Share

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

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

r) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Income Tax

The Company has recognised deferred tax assets relating to current and prior period tax losses, other accruals and share issue costs of \$1,484,349 as at 30 June 2020. The utilisation of tax losses depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is supported by the Investment Manager's long-term performance and profitability. New information may become available that may cause the Company to change its judgment regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore would have to rely on the same business test. If the Company fails to satisfy the test, the deferred tax asset of \$1,446,524 that is currently recognised would be written off.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New or amended Accounting Standards and Interpretations adopted in the current period

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

New Accounting Standards and Interpretations not yet adopted

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

3. INCOME

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Gains/(losses) on financial instruments held at fair value through profit or loss	4,517,140	(3,611,026)
Interest income	8,720	79,154
Dividend income	1,964,569	2,628,708
	<u>6,490,429</u>	<u>(903,164)</u>

4. INCOME TAX

a) Income Tax Expense/(Benefit)

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

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Prima facie income tax expense/(benefit) calculated at 30%	1,505,033	(760,276)
Less the tax effect of:		
Imputation credit gross up	252,587	309,414
Franking credit offset	(841,958)	(1,031,380)
Other non-assessable items	(12,213)	6,195
	<u>903,449</u>	<u>(1,476,047)</u>

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Total income tax expense/(benefit) results in a:		
Change in deferred tax liability	1,111,511	(733,803)
Change in deferred tax asset	(208,062)	(742,244)
	<u>903,449</u>	<u>(1,476,047)</u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

4. INCOME TAX (CONTINUED)

b) Deferred Tax Asset

	As at 30 June 2020 \$	As at 30 June 2019 \$
Tax losses	1,446,524	1,238,422
Accruals	7,964	11,957
Capitalised share issue costs	29,861	25,908
	<u>1,484,349</u>	<u>1,276,287</u>
	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Movement in deferred tax assets		
Balance at the beginning of the period	1,276,287	534,043
Credited to the Statement of Profit or Loss and Comprehensive Income	204,109	755,198
Capitalised share issue and placement costs	3,953	(12,954)
At reporting date	<u>1,484,349</u>	<u>1,276,287</u>

c) Deferred Tax Liability

	As at 30 June 2020 \$	As at 30 June 2019 \$
Temporary differences in relation to:		
Unrealised gains on investments	1,743,433	631,922
	Year ended 30 June 2020	Year ended 30 June 2019
Movement in deferred tax liabilities		
Balance at the beginning of the year	631,922	1,365,725
Charged/(credited) to the Statement of Profit or Loss and Comprehensive Income	1,111,511	(733,803)
At reporting date	<u>1,743,433</u>	<u>631,922</u>

5. DIVIDEND PAID AND PAYABLE

Year ended 30 June 2020	Dividend rate (cents per share)	Total \$ amount	% Franked	Date of payment
2019 Final quarterly dividend (declared 22 August 2019)	1.20	617,476	100%	16 September 2019
2020 First quarterly interim dividend (declared 17 October 2019)	1.35	680,312	100%	19 November 2019
2020 Second quarterly interim dividend (declared 20 February 2020)	1.35	642,762	100%	18 March 2020
2020 Third quarterly interim dividend (declared 18 May 2020)	1.35	638,974	100%	18 June 2020
		2,579,524		

Year ended 30 June 2019	Dividend rate (cents per share)	Total \$ amount	% Franked	Date of payment
2018 Final dividend (declared 23 August 2018)	2.50	1,313,423	100%	19 September 2018
2019 First quarterly interim dividend (declared 16 October 2018)	1.35	709,248	100%	19 November 2018
2019 Second quarterly interim dividend (declared 15 February 2019)	1.35	709,248	100%	11 March 2019
2019 Third quarterly interim dividend (declared 17 May 2019)	1.35	709,248	100%	18 June 2019
		3,441,167		

As at 30 June 2020, the outstanding dividend payable was \$24,978 (30 June 2019: \$26,377).

Dividend Franking Information

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Franking credits available for shareholders from previous financial periods	331,864	807,008
Impact on the franking account of dividends paid during the period	(1,105,511)	(1,474,786)
Impact on the franking account of dividends received during the period	841,958	1,031,380
Impact on franking account of income tax paid/refunded	–	(31,738)
Franking account balance at reporting date	68,311	331,864

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

6. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 \$	As at 30 June 2019 \$
GST receivable	29,436	43,375
Other receivables	–	696
Unsettled trades receivable	398,360	591,680
Prepaid expenses	39,961	47,088
	467,757	682,839

Receivables are non-interest bearing and unsecured. Outstanding trades, i.e. "Unsettled trades receivable", are on the terms operating in the investment management industry which usually require settlement within two days of the date of the transaction. None of the receivables are past due or impaired at the end of the reporting period (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS

Continued

7. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial assets at Fair Value through Profit or Loss

	As at 30 June 2020 \$	As at 30 June 2019 \$
Investments in listed equity securities	49,692,125	46,975,995
Investment in unlisted options	190,642	189,900
Total financial assets at fair value through profit or loss	49,882,767	47,165,895

Disclosed fair values

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

8. TRADE AND OTHER PAYABLES

	As at 30 June 2020 \$	As at 30 June 2019 \$
Auditors' remuneration payable	9,048	16,158
Management fees payable	80,263	82,657
Unsettled trades payable	556,073	179,984
Other payables	95,202	60,969
Total	740,586	339,768

Payables are non-interest bearing and unsecured. Unsettled trades are on the terms operating in the investment management industry which usually require settlement within two days of the date of the transaction.

9. ISSUED CAPITAL

	30 June 2020		30 June 2019	
	No of shares	\$	No of shares	\$
Issued and paid up capital – Ordinary shares	47,181,404	48,674,617	52,076,616	53,158,781

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

Each share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the Corporations Act 2001;
- 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 shareholders by special resolution); and
- subject to the Corporations Act 2001 and the ASX Listing Rules, shares are fully transferable.

9. ISSUED CAPITAL (CONTINUED)

Movements in Ordinary Share Capital

Date	Details	No of shares	\$
01 July 2018	Opening balance	52,536,889	53,528,189
	DRP Shares allotted	357,688	330,480
	Purchase of shares on-market for Dividend Reinvestment Plan	(357,688)	(330,480)
	Shares bought back	(460,273)	(369,408)
30 June 2019	Closing balance	52,076,616	53,158,781
01 July 2019	Opening balance	52,076,616	53,158,781
	DRP shares allotted	287,251	247,752
	Purchase of shares on-market for Dividend Reinvestment Plan	(287,251)	(247,752)
	Shares bought back	(4,897,712)	(4,486,739)
	Share options exercised	2,500	2,575
30 June 2020	Closing balance	47,181,404	48,674,617

During the 2020 financial year, the Company made a 1 for 2 bonus option issue to eligible shareholders. These bonus options are listed on the ASX under the code NACOA and give the right to option holders to acquire new ordinary shares at a price of \$1.03 per share. The bonus options will expire on 31 March 2023.

A total of 23,789,370 bonus options have been issued; 23,786,870 options remained unexercised as at 30 June 2020.

10. PROFITS RESERVE AND ACCUMULATED LOSSES

a) Profits Reserve

	As at 30 June 2020 \$	As at 30 June 2019 \$
Balance at the beginning of the year	2,214,042	5,655,209
Transfer to Profits Reserve	8,226,789	–
Dividends paid	(2,579,524)	(3,441,167)
Balance at Reporting Date	7,861,307	2,214,042

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

b) Accumulated Losses

	As at 30 June 2020 \$	As at 30 June 2019 \$
Balance at the beginning of the year	(2,800,614)	(1,742,408)
Transfer to Profits Reserve	(8,226,789)	–
Profit/(loss) for the year attributable to the members of the Company	4,113,325	(1,058,206)
Balance at Reporting Date	(6,914,078)	(2,800,614)

NOTES TO THE FINANCIAL STATEMENTS

Continued

11. 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 2020 \$	Year ended 30 June 2019 \$
Audit and other assurance services – Deloitte		
Audit and review of financial reports	44,500	44,500
Total remuneration for audit and other assurance services	44,500	44,500
Taxation Services – Deloitte		
Tax compliance services	6,600	–
Total remuneration for non-audit services	6,600	–
Total remuneration	51,100	44,500

12. CASH AND CASH EQUIVALENTS

a) Components of Cash and Cash Equivalents

	As at 30 June 2020 \$	As at 30 June 2019 \$
Cash at bank	270,992	4,418,878
	270,992	4,418,878

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

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Profit/(loss) for the year attributable to shareholders after tax	4,113,325	(1,058,206)
Adjustments for:		
Change in value of financial assets designated at fair value through profit or loss	(2,716,872)	7,239,821
Income tax expense/(benefit) recognised in the Statement of Profit or Loss and Other Comprehensive Income	903,449	(1,476,047)
Income tax refunded	–	31,738
Change in assets and liabilities:		
Decrease/(increase) in trade and other receivables	215,082	(528,244)
Increase/(decrease) in trade and other payables	402,217	(71,538)
Net cash provided by operating activities	2,917,201	4,137,524

13. 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 2020 was \$55,000 (2019: \$46,250).

There were no shares or options 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 2020, NAOS Asset Management Limited holds 5,387,615 shares (11.48%) (2019: 5,387,615 shares (10.41%)) in the Company, and 2,693,807 options (2019: Nil).

Other than the disclosure at Note 15 there were no transactions entered into by the Company with other entities also managed by the key management personnel.

Holdings of Shares by Key Management Personnel

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

Ordinary shares Year ended 30 June 2020	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
Mr David Rickards (Chairman)	563,973	201,265	–	765,238
Mr Warwick Evans (Director)	1,421,054	230,478	–	1,651,532
Mr Sebastian Evans (Director)	5,541,487	1,617	–	5,543,104
Ms Sarah Williams (Director)	–	15,463	–	15,463

Ordinary shares Year ended 30 June 2019	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
Mr David Rickards (Chairman)	525,669	38,304	–	563,973
Mr Warwick Evans (Director)	1,385,557	35,497	–	1,421,054
Mr Sebastian Evans (Director)	5,289,726	251,761	–	5,541,487
Ms Sarah Williams (Director)	–	–	–	–

Bonus Options Year ended 30 June 2020	Opening balance No. of bonus options	Issued No. of bonus options	Exercised No. of bonus options	Closing balance No. of bonus options
Mr David Rickards (Chairman)	–	371,875	–	371,875
Mr Warwick Evans (Director)	–	821,568	–	821,568
Mr Sebastian Evans (Director)	–	2,771,323	–	2,771,323
Ms Sarah Williams (Director)	–	7,731	–	7,731

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.

14. 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.

Continued

15. 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 2020:

- Management fees of \$933,560 (2019: \$971,489) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2020 were \$80,263 (2019: \$82,657) (including RITC*).

Performance Fees

In the event that the portfolio outperforms the Benchmark, being the S&P/ASX 300 Industrials Accumulation Index ("XKIAI"), 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. No performance fee is payable if the portfolio underperforms the Benchmark. Any underperformance to the Benchmark 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 2020:

- Performance fees of \$nil (2019: \$nil) (excluding RITC*) were incurred during the year.
- Performance fees payable at 30 June 2020 were \$nil (2019: \$nil) (including RITC*).

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

In addition, for the year ended 30 June 2020 the Investment Manager was paid total fees of \$89,000 for the provision of company secretarial, administrative, financial and accounting services (2019: \$89,000).

16. 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 of 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 a contractual obligation to a financial instrument. The Investment Manager monitors the creditworthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

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

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

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

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

(i) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to interest rate risk is set out in the following table:

	Floating interest rate \$	Non-interest bearing \$	Total \$
30 June 2020			
Assets			
Cash and cash equivalents	270,992	–	270,992
Trade and other receivables	–	467,757	467,757
Financial assets at fair value through profit or loss	–	49,882,767	49,882,767
Total assets	270,992	50,350,524	50,621,516
Liabilities			
Trade and other payables	–	740,586	740,586
Total liabilities	–	740,586	740,586
Net exposure	270,992	49,609,938	49,880,930
30 June 2019			
Assets			
Cash and cash equivalents	4,418,878	–	4,418,878
Trade and other receivables	–	682,839	682,839
Financial assets at fair value through profit or loss	–	47,165,895	47,165,895
Total assets	4,418,878	47,848,734	52,267,612
Liabilities			
Trade and other payables	–	339,768	339,768
Total liabilities	–	339,768	339,768
Net exposure	4,418,878	47,508,966	51,927,844

NOTES TO THE FINANCIAL STATEMENTS

Continued

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk (continued)

(i) Interest Rate Risk (continued)

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 2020		
AUD interest rate	25bps/(25bps)	677/(677)
30 June 2019		
AUD interest rate	25bps/(25bps)	11,047/(11,047)

(ii) Price Risk

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

As at 30 June a 10% sensitivity would have had an impact in the Company's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to shareholders as shown in the table below:

	Impact on operating profit/ Net assets attributable to shareholders	
	-10% \$	10% \$
30 June 2020	(4,988,277)	4,988,277
30 June 2019	(4,716,590)	4,716,590

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Market Risk (continued)

(ii) Price Risk (continued)

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

Industry	% of Portfolio	
	30 June 2020	30 June 2019
Information Technology	63.91%	41.03%
Financials	11.98%	12.38%
Travel and Leisure	11.34%	–
Real Estate	7.68%	4.08%
Commercial and Professional Services	4.68%	25.09%
Healthcare	0.41%	0.40%
Agriculture	–	10.79%
Consumer Discretionary	–	5.56%
Media	–	0.67%
Total	100.00%	100.00%

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the Investment Manager. The Company's cash receipts depend upon the level of sales of securities, dividends and interest received, the exercise of options or other capital management initiatives that may be implemented by the Board from time to time.

The Investment Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount, the Company can alter its cash outflows as appropriate. The assets of the Company are largely in the form of tradable 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 2020 and 30 June 2019 to the contractual maturity date.

	30 June 2020			Total \$
	On demand \$	< 1 month \$	> 1 month \$	
Trade and other payables	–	740,586	–	740,586
Total financial liabilities	–	740,586	–	740,586
	30 June 2019			Total \$
	On demand \$	< 1 month \$	> 1 month \$	
Trade and other payables	–	339,768	–	339,768
Total financial liabilities	–	339,768	–	339,768

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Fair Value Hierarchy

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

Level 1:

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

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

Level 2:

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

Included within Level 2 of the hierarchy are unlisted investments. The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. As at 30 June 2020 the Company had \$190,642 (2019: \$189,900) financial instruments classified as Level 2.

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.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2020				
Financial assets at fair value through profit or loss	49,692,125	190,642	–	49,882,767
Total	49,692,125	190,642	–	49,882,767
30 June 2019				
Financial assets at fair value through profit or loss	46,975,995	189,900	–	47,165,895
Total	46,975,995	189,900	–	47,165,895

e) Capital Management

The Company's objectives for managing capital are:

- to achieve consistent returns while safeguarding capital by investing in a concentrated portfolio, and closely monitoring the performance of the underlying investments;
- to maintain sufficient liquidity to meet the ongoing expenses of the Company; and
- to maintain sufficient size to make the operation of the Company cost-efficient.

The Board manages the Company's capital through share placements, share purchase plans, option issues, the dividend reinvestment plan, share buybacks and the distribution of dividends to shareholders. These capital management initiatives will be used when deemed appropriate by the Board. The Company is not subject to externally imposed capital requirements.

17. EARNINGS PER SHARE

	Year ended 30 June 2020 cents	Year ended 30 June 2019 cents
Basic and diluted earnings per share	8.38	(2.02)
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	49,085,938	52,497,797
	\$	\$
Net profit/(loss) used in the calculation of basic and diluted earnings per share	4,113,325	(1,058,206)

18. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2020 (30 June 2019: Nil).

19. SUBSEQUENT EVENTS

On 20 August 2020, the Company declared a fully franked dividend of 1.20 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 Ex-50 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 2020;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1(c) to the financial statements;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Directors have received the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Board



Sebastian Evans
20 August 2020

ADDITIONAL INFORMATION

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

INVESTMENT PORTFOLIO

As at 30 June 2020 the Company held the following investments:

BTC Health Limited unlisted options
Eureka Group Holdings Limited
Experience Co Limited
Fineos Corporation Holdings PLC
Lifestyle Communities Limited
MNF Group Limited
Objective Corporation Limited
Over the Wire Holdings Limited
Pacific Smiles Group Limited
People Infrastructure Limited
Service Stream Limited
Smartpay Holdings Limited

During the financial year ended 30 June 2020, the Company had 704 (2019: 623) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2020 were \$749,860 (2019: \$1,161,106).

20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2020.

Shareholders	Ordinary shares held	% of issued shares
NAOS Asset Management Limited	5,387,615	11.48%
J P Morgan Nominees Australia Pty Ltd	1,860,831	3.97%
Nivesa Pty Ltd	1,251,532	2.67%
Jetosea Pty Ltd	1,236,403	2.63%
Myall Resources Pty Ltd	1,213,392	2.59%
Equitas Nominees Pty Ltd	756,238	1.61%
Gold Tiger Investments Pty Ltd	750,000	1.60%
Lonceta Pty Ltd	600,000	1.28%
Alex Land Pty Ltd	578,237	1.23%
Jetosea Pty Ltd	520,495	1.11%
National Nominees Limited	495,410	1.06%
Wallbay Pty Ltd	462,470	0.99%
Vasnan Pty Ltd	437,500	0.93%
W W E Investments Pty Ltd	400,000	0.85%
Equitas Nominees Pty Ltd	370,000	0.79%
R & G Holdings Pty Ltd	362,931	0.77%
Mr Donald Gordon Mackenzie & Mrs Gwenneth Edna Mackenzie	314,392	0.67%
Lactic Investment Managers Pty Ltd	300,000	0.64%
Bond Street Custodians Limited	300,000	0.64%
Charles Sturt University	279,500	0.60%
Total	17,876,946	38.11%

ADDITIONAL INFORMATION

Continued

SUBSTANTIAL SHAREHOLDERS

Shareholders	Ordinary shares held	% of issued shares
NAOS Asset Management Limited	5,387,615	11.48%

DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2020.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1-1,000	78	30,964	0.07
1,001-5,000	140	411,754	0.88
5,001-10,000	117	916,525	1.95
10,001-100,000	497	19,243,824	41.01
100,001 and over	75	26,322,876	56.09
Totals	907	46,925,943	100.00

20 LARGEST OPTIONHOLDERS

Details of the 20 largest optionholders and their respective holdings as at 31 July 2020.

Optionholders	Options held	% of issued options
NAOS Asset Management Limited	2,693,807	11.32%
Jetosea Pty Ltd	2,436,147	10.24%
J P Morgan Nominees Australia Pty Ltd	807,989	3.40%
Nivesa Pty Ltd	621,568	2.61%
Jetosea Pty Ltd	618,201	2.60%
Myall Resources Pty Ltd	606,696	2.55%
Gold Tiger Investments Pty Ltd	375,000	1.58%
Equitas Nominees Pty Ltd	371,875	1.56%
Mr Brett James Rudd	315,050	1.32%
Mr Stephen Robert Donnelly	300,000	1.26%
Alex Land Pty Ltd	284,344	1.20%
Munrose Investments Pty Ltd	231,000	0.97%
Vasnan Pty Ltd	218,750	0.92%
Wallbay Pty Ltd	211,735	0.89%
Dr Alan Donovan	200,000	0.84%
W W E Investments Pty Ltd	200,000	0.84%
Vikand Consulting Pty Ltd	185,000	0.78%
Equitas Nominees Pty Ltd	185,000	0.78%
R & G Holdings Pty Ltd	178,469	0.75%
Doecke Nominees Pty Ltd	175,000	0.74%
Total	11,215,631	47.15%

SUBSTANTIAL OPTIONHOLDERS

Optionholders	Options held	% of issued options
NAOS Asset Management Limited	2,693,807	11.32%
Jetosea Pty Ltd	2,436,147	10.24%

DISTRIBUTION OF OPTIONS

Analysis of options by size of optionholders as at 31 July 2020.

Category	Number of optionholders	Options held	% of issued options
1-1,000	92	45,941	0.19
1,001-5,000	183	526,748	2.21
5,001-10,000	119	901,125	3.79
10,001-100,000	295	9,820,272	41.28
100,001 and over	29	12,492,784	52.53
Totals	718	23,786,870	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). Bonus options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the bonus options are exercised and subsequently registered as ordinary shares.

ASX LISTING

Quotation has been granted for all Ordinary Shares and bonus options (ASX Code: NAC and NACOA respectively) of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

BUYBACK

For the financial year ended 30 June 2020 the Company has bought back a total of 4,897,712 shares for a consideration of \$4,486,739 (2019: 460,273 shares for a consideration of \$369,408).

UNMARKETABLE PARCELS

As at 31 July 2020, the number of shareholdings held in less than marketable parcels was 48.

UNQUOTED SECURITIES

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

RESTRICTIONS ON SHARES

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

CORPORATE INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Laura Newell
Sebastian Evans

REGISTERED OFFICE

Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000

INVESTMENT MANAGER

NAOS Asset Management Limited
Level 34, MLC Centre
19 Martin Place
Sydney NSW 2000
(Australian Financial Services Licence Number: 273529)

CONTACT DETAILS

T: (02) 9002 1576
E: enquiries@naos.com.au
W: www.naos.com.au

SHARE REGISTRY

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: 1300 737 760

AUDITOR

Deloitte Touche Tohmatsu
Level 1, Grosvenor Place
225 George Street
Sydney NSW 2000

