

## 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 2018

All comparisons are to the year ended 30 June 2017

|   | \$                     | up/down                         | % change                     |
|---|------------------------|---------------------------------|------------------------------|
| Revenue from ordinary activities  | 6,255,651              | up                              | 178%                         |
| Profit from ordinary activities before tax attributable to shareholders   | 4,414,891              | up                              | 549%                         |
| Profit from ordinary activities after tax attributable to shareholders  | 3,880,720              | up                              | 259%                         |
| <b>Dividend Information</b>   | <b>Cents per share</b> | <b>Franked amount per share</b> | <b>Tax rate for franking</b> |
| 2018 Final dividend   | 2.50                   | 2.50                            | 30%                          |
| 2018 Interim dividend   | 2.75                   | 2.75                            | 30%                          |
| <b>Final Dividend Dates</b>   |                        |                                 |                              |
| Ex-dividend date  |                        |                                 | 3 September 2018             |
| Record date   |                        |                                 | 4 September 2018             |
| Last date for DRP election  |                        |                                 | 5 September 2018             |
| Payment date  |                        |                                 | 19 September 2018            |
| <b>Dividend Reinvestment Plan</b>   |                        |                                 |                              |
| The Dividend Reinvestment Plan is in operation and the recommended fully franked final dividend of 2.50 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.   |                        |                                 |                              |
|   |                        | <b>30 June 2018</b>             | <b>30 June 2017</b>          |
|   |                        | <b>\$</b>                       | <b>\$</b>                    |
| <b>(Post Tax) Net tangible asset backing per share</b>  |                        | 1.09                            | 1.07                         |
| 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. |                        |                                 |                              |



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NAOS EX-50 OPPORTUNITIES  
COMPANY LIMITED

Annual Report 2018

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## KEY DATES

### 2018 ANNUAL GENERAL MEETING

AGM to be held at 11:00am (AEDT) on Thursday 15 November 2018 at Morgans, Level 21, Aurora Place 88 Philip Street, Sydney NSW 2000

### Please join us for our bi-annual Investor Roadshow

The NAOS team will provide an update on our Listed Investment Companies (LICs). The discussion will include an insight into our investment philosophy and process as well as highlighting a selection of stocks held within the LICs. Refreshments will be provided at 10:30am before each presentation.

### BRISBANE Monday 3 September 2018

11:00am-12:30pm  
Customs House  
399 Queen Street  
Brisbane QLD 4000

### ADELAIDE Tuesday 4 September 2018

11:00am-12:30pm  
Pullman Adelaide  
16 Hindmarsh Square  
Adelaide SA 5000

### SYDNEY Thursday 6 September 2018

11:00am-12:30pm  
The Westin Sydney  
1 Martin Place  
Sydney NSW 2000

### CANBERRA Tuesday 11 September 2018

11:00am-12:30pm  
Hyatt Hotel Canberra  
120 Commonwealth Avenue  
Yarralumla ACT 2600

### MELBOURNE Wednesday 12 September 2018

11:00am-12:30pm  
The Westin Melbourne  
205 Collins Street  
Melbourne VIC 3000

### PERTH Thursday 13 September 2018

11:00am-12:30pm  
Parmelia Hilton Perth  
14 Mill Street  
Perth WA 6000

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.

|   |  |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
|---|--|--|--|--|-----------------------------|--------|------------------------------|--------|---|-------|-----------------------------|------------|-------------|---------|-----------------|------------|-------------------------|-----------|-----------------------|----------------|
| <p><b>\$3.9m</b></p> <p>PROFIT FOR THE YEAR</p> | <p><b>5.25c ▲</b></p> <p>FULLY FRANKED DIVIDENDS (INCREASE 5%)</p> | <p><b>938 ▲</b></p> <p>SHAREHOLDERS (INCREASE 13%)</p> | <p><b>5.50%</b></p> <p>HISTORICAL FULLY FRANKED DIVIDEND YIELD</p> | <p><b>KEY METRICS AS AT 30 JUNE 2018</b></p> <table border="1"> <tr> <td>Pre-tax Net Tangible Assets</td> <td>\$1.11</td> </tr> <tr> <td>Post-tax Net Tangible Assets</td> <td>\$1.09</td> </tr> <tr> <td>Historical Fully Franked Dividend Yield</td> <td>5.50%</td> </tr> <tr> <td>Fully Franked FY18 Dividend</td> <td>5.25 cents</td> </tr> <tr> <td>Share Price</td> <td>\$0.955</td> </tr> <tr> <td>Shares on Issue</td> <td>52,536,889</td> </tr> <tr> <td>Directors' Shareholding</td> <td>7,200,952</td> </tr> <tr> <td>Market Capitalisation</td> <td>\$50.2 million</td> </tr> </table> | Pre-tax Net Tangible Assets | \$1.11 | Post-tax Net Tangible Assets | \$1.09 | Historical Fully Franked Dividend Yield | 5.50% | Fully Franked FY18 Dividend | 5.25 cents | Share Price | \$0.955 | Shares on Issue | 52,536,889 | Directors' Shareholding | 7,200,952 | Market Capitalisation | \$50.2 million |
| Pre-tax Net Tangible Assets                     | \$1.11   |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Post-tax Net Tangible Assets                    | \$1.09   |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Historical Fully Franked Dividend Yield         | 5.50%  |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Fully Franked FY18 Dividend                     | 5.25 cents   |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Share Price                                     | \$0.955  |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Shares on Issue                                 | 52,536,889   |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Directors' Shareholding                         | 7,200,952  |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |
| Market Capitalisation                           | \$50.2 million   |  |  |  |                             |        |                              |        |   |       |                             |            |             |         |                 |            |                         |           |                       |                |

**INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2018**

|   | 1 YEAR  | 2 YEARS (P.A.) | 3 YEARS (P.A.) | INCEPTION (P.A.) | INCEPTION (NOM.) |
|---|---------|----------------|----------------|------------------|------------------|
| NAC INVESTMENT PORTFOLIO PERFORMANCE*               | +10.25% | +8.46%         | +15.25%        | +15.21%          | +67.21%          |
| BENCHMARK (RBA CASH RATE + 250BPS)                  | +4.35%  | +4.37%         | +4.52%         | +4.63%           | +17.86%          |
| OUTPERFORMANCE RELATIVE TO BENCHMARK                | +5.90%  | +4.09%         | +10.73%        | +10.58%          | +49.35%          |
| S&P/ASX 300 INDUSTRIALS ACCUMULATION INDEX (XKIAI)# | +8.07%  | +10.29%        | +7.81%         | +7.93%           | +31.94%          |

\* 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 nom.) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months. #From 1 July 2018 the NAC Benchmark was replaced with the S&P/ASX 300 Industrials Accumulation Index (XKIAI).



### 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) and NAOS Small Cap Opportunities Company Limited (ASX: NSC).

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.

### 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 2018 Annual Report for the NAOS Ex-50 Opportunities Company Limited.

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 2018.

For the financial year ended 30 June 2018, the Company recorded an after-tax profit of \$3.88 million. The Company declared a record 5.25 cents per share of fully franked dividends for the year, which represented growth of 5% over the previous year and marks the fourth year of consecutive annual dividend increases. The Board continues to be mindful of providing shareholders a growing stream of fully franked dividends over the longer term whilst building a profit reserve which can be utilised in periods where strong positive performance is harder to achieve. The Net Tangible Assets ('NTA') of the Company did not change significantly over the financial year, rising by \$1.1 million. After allowing for the payment of fully franked dividends as well as any tax payable, changes to the NTA from positive portfolio performance were offset. For those investors who participated 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.

The total shareholder return ('TSR') shows the total return to shareholders, being the change in share price together with dividends reinvested, but does not include the benefits of franking credits paid to shareholders. The TSR for the Company for the financial year was -2.9%, which lagged the investment portfolio performance, which increased by +10.3% over the financial year. The difference in returns was driven by the Company's share price ending the year at a significant discount to the pre-tax NTA.

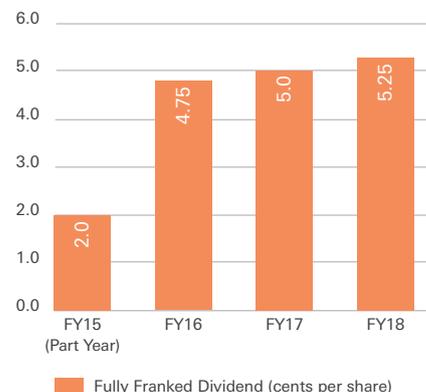
The investment strategy of the Company aims to provide shareholders with access

to a carefully selected, concentrated group of high quality, undervalued mid-cap companies with an industrial bias in a concentrated structure. Investment opportunities are assessed based on their potential to generate meaningful long-term performance with lower downside risk than the broader market. Demonstrating the Company's ability to protect capital, the investment portfolio is yet to recognise a negative financial or calendar year return.

Feedback from shareholders prompted the Board and management to reconsider whether the Company name and benchmark were appropriate. Consequently, the Company was pleased to announce several changes which we believe will provide shareholders with a unique Listed Investment Company which is easier to understand and is highly differentiated in the market. It is our view that these changes, effective from July 2018, should lead to increased market awareness and demand from shareholders, which may contribute towards creating value for shareholders over the longer term.

These consisted of:

- Changing the company name to NAOS Ex-50 Opportunities Company Limited to better reflect the Company's concentrated mid-cap investment strategy between ASX 50 and small companies, with the ASX code to remain ASX: NAC.
- Changing the benchmark from the RBA Cash Rate + 250 basis points to the S&P/ASX 300 Industrials Accumulation Index (XKIAI).
- Increasing the frequency of dividend payments from bi-annually to quarterly, creating an opportunity for shareholders to receive a more frequent income stream.



The Company continues to not only place a strong emphasis on sustainable performance together with sound capital management initiatives, but also on providing current and future shareholders with high quality, timely and constructive information on the Company through our shareholder communication activities. Pleasingly this has translated into a number of new shareholders joining the share register, with the total number of shareholders standing at 938 at the end of FY18, up 13% from the end of FY17.

All Directors took advantage of the Dividend Reinvestment Plan to increase their holdings throughout the financial year and now hold a cumulative 7.2 million shares, continuing to align our interests with our 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  
23 August 2018



Dear Fellow Shareholders,

30 June 2018 brought with it the end of the third full financial year for the NAOS Ex-50 Opportunities Company ('NAC'), with the investment portfolio posting a gain of +10.25% for the financial year.

“Our core focus on positive absolute returns and our ability to protect capital remains paramount.”

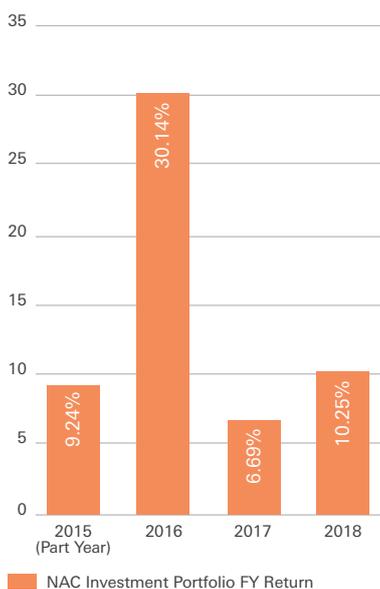
Although this was a respectable result from an absolute point of view, when we consider the investment portfolio was up +14.21% for the first six months of the financial year, the full year result was somewhat disappointing. Our core focus on positive absolute returns and our ability to protect capital remains paramount. Illustrating this is the fact that since the inception of the Company in November 2014, on all occasions where the S&P/ASX All Ordinaries Accumulation Index ('XAOAI') has produced a negative monthly return, the investment portfolio has always posted a more favourable return. Further supporting this focus on capital preservation, the portfolio has registered only positive financial year returns during this time.

When reviewing the positive contributors to the investment portfolio, i.e. positions adding more than +1% to the portfolio performance, both Elders (ASX: ELD) and MNF Group (ASX: MNF) contributed just over +4%, with a further seven positions contributing between +1% and +3%. Though this is a strong result, it is somewhat expected when the wider market also produced a significant positive return over the financial year. Looking to the negative contributors, one position contributed over -4.5% and a further position contributed just over -1.50%, in addition nine positions contributed between -0.30% and -1%. Although all bar one of these positions may not seem significant in isolation, the cumulative figures totalled a negative contribution of close to -12%. With fairly favourable market dynamics there should be very few total negative contributors; frustratingly this was not the case this year.

Many shareholders will be aware of two key changes made recently to the Company, following shareholder approval at a General Meeting. Firstly, the name of the Company has been changed to the NAOS Ex-50 Opportunities Company Limited, and the second being a change of benchmark to the S&P/ASX 300 Industrials Accumulation Index. I would like to make it clear that even though these changes have been introduced after significant consideration and feedback from our shareholders, protecting shareholder capital and providing long-term sustainable returns remains our core focus and this will not be affected or changed. We continue to invest where we see the best opportunity to produce sustainable long-term returns, in mid-cap industrial businesses outside the largest listed businesses in Australia.

The focus for many investors in equity markets both domestically and globally has been very much on returns, but we believe over the next 12-24 months the focus will move back to risk and return as we enter the new financial year with an economic backdrop that is potentially much more precarious in some key global markets. This is due to higher interest rate levels, the potential for an increase in inflation, and finally Government balance sheets that are running at high levels of debt at potentially the wrong time in the cycle.

ANNUAL RETURNS CHART



# +10.25%

FY18 PORTFOLIO RETURN

## MOMENTUM VS VALUE - INDUSTRIALS VS NATURAL RESOURCES

Without a doubt the key topic for many investors both domestically and globally over the course of FY18 has been the significant underperformance of perceived value companies relative to companies that have generated significant earnings growth or even just expected to produce significant earnings growth over the short term.

NAOS generally only invests in a business because we believe the earnings today are not a fair reflection of what the same business will earn in five years' time. Ultimately, this earnings growth can be driven by many factors including revenue growth, margin growth, cost cutting, acquisitions and even share buybacks. The desired 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. Therefore, we do not differentiate between value and growth businesses as ultimately earnings growth is what will drive share prices higher over the long term. What we do differentiate businesses on is the margin of safety each investment has i.e. what is the potential for significant permanent capital loss for a potential investor.

When reviewing the performance of the ASX 200, the stocks with the highest forecast earnings per share (EPS) growth over the past twelve months returned an average of +9.1%. When comparing this to the companies with the highest free cash flow (FCF) yields (i.e. the

# +67.21%

PORTFOLIO RETURN SINCE INCEPTION

best value regarding FCF) these stocks within the ASX 200 returned an average of just +1.2%.

When we dig a little deeper and review the sector performance within the ASX-200 we can see what has really driven the divergence in performance. It is clear that as commodity prices have increased this has driven earnings growth within the energy, metals and mining, and gold sectors which have returned gains of +24.1%, +24.2% and +13.3% respectively for FY18. Comparing this to the performance of other sectors including cyclicals, banks, non-bank financials and REITs, not one of these sectors returned anything more than +0.3% and in the case of the banks they returned far worse, with a -13.2% return for the financial year.

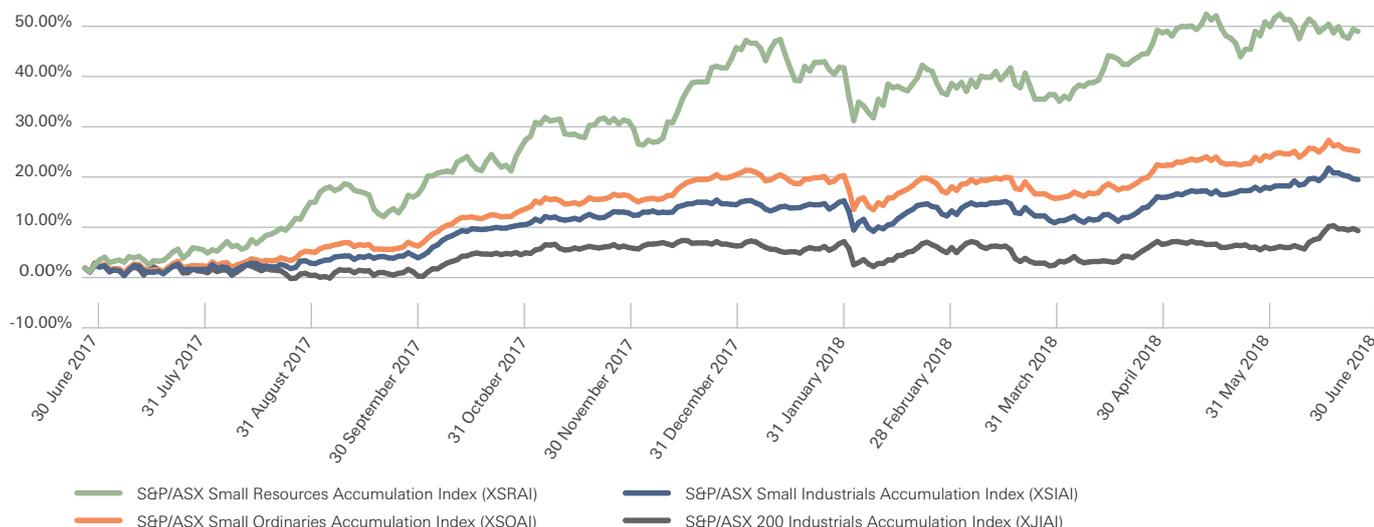
Core to the NAOS investment philosophy is that we will only invest in businesses where we believe we can understand the inputs that drive the long-term valuation and then forecast these inputs over many years to understand what the fair value of a business should be. This is where we believe we can add value for our shareholders and gain a competitive advantage. Investing in businesses that are highly correlated to movements in commodity prices not only fails our ESG requirements, but we do not believe we have any competitive advantage in accurately forecasting commodity prices over the short or long term. It is also important to note that many miners, apart from the likes of BHP and Rio Tinto, often have a high fixed cost base which in turn gives them significant earnings leverage to any upward or downward movement

in commodity prices. This can produce significant gains when commodity prices are in an uptrend but when the tide turns this can often result in sharp share price falls and situations that lead to permanent capital loss as these businesses cannot react to lower their cost base in a manner that allows them to produce these metals and minerals at a level that delivers positive free cash flow.

In support of investing in industrial businesses, when reviewing the previous 10 years of cumulative returns of businesses in the ASX 300 we can see that industrials have outperformed resources by a factor of 2.5, even after their significant underperformance in 2018.

The S&P/ASX Small Industrials Accumulation Index posted an FY18 gain of +18.3%, and within this 12 out of the 159 constituents registered share price appreciation of greater than +100% for the financial year. Of these 12, 5 of these businesses were technology companies, 2 of these were mining services and 1 was heavily reliant on its exporting business to China. This leaves 4 true industrial businesses which were affordable fashion accessory retailer Lovisa (ASX: LOV), US based fund of funds manager Navigator Global Investments (ASX: NGI), education provider IPP Education (ASX: IEL) and fund administrator Bravura Solutions (ASX: BVA). We continually review our investment process to understand why investments such as these were overlooked and to ensure that we capitalise on such opportunities provided our long term investment valuation hurdles are met.

## 1 YEAR TOTAL RETURN



In our view, NAC enters FY19 with a promising group of core investment positions, whilst maintaining flexibility within the portfolio to add or remove investments if volatility in share prices eventuates.

#### LOOKING FORWARD

The investment portfolio holds approximately 8% of assets in cash, though when we look at individual positions just one of our 10 investments holds any substantial net debt position. If we were to use a 'look through' cash position of the investment portfolio (i.e. multiplying the net cash position of each investment by its respective portfolio weighting) the cash weighting would be higher than 15% of total assets.

Two standout performers with regard to contribution to FY18 return were MNF Group and Elders, and they have a number of common characteristics. Firstly, both businesses have been NAOS investments for a number of years. Secondly, both have an emphasis on capital-light operations with a focus on returns and payback times. Finally, these businesses have been run by proven management teams who have a long track record meeting not only their own expectations, but also in being proactive and understanding what drives the growth of their businesses over a three to five year time horizon, as opposed to focusing and reacting on a short term basis. As we move into FY19, we believe both companies have the ability to add significant shareholder value over the next 12 to 36 months.

Other investments within the NAC portfolio exhibiting similar characteristics to MNF and ELD include Japara Healthcare (ASX: JHC), Helloworld Travel (ASX: HLO) and Beacon Lighting Group (ASX: BLX). Each are either led by their founders, or their founders are significantly involved in the operations of the business. Importantly, in all cases the founders are still significant equity holders and are therefore highly aligned with shareholders. Each company also has significant balance sheet flexibility which allows continued investment in its own business to support future growth, or to acquire businesses if opportunities arise.

Another characteristic shared by these three companies is the longevity of their business operations, which in each case has been built from the ground up. In our view, this provides management with two key advantages; firstly they have a clear understanding of earnings drivers and just as importantly, management

will have an intimate understanding of their customers. This level of customer insight provides crucial information to management on whether or not they are adding value, and therefore if they are able to charge a fair price that encapsulates a reasonable profit margin.

It is unlikely the share prices of these businesses will increase by over +100% over the next 12 months, but when factoring in all of the above we believe that through a reasonable level of earnings growth, dividend yield and potential for earnings multiple expansion each of these businesses has the potential for significant shareholder gains with a much lower level of risk than the wider market.

In conclusion, I would like to thank all of our shareholders for their support over the financial year. I look forward to updating you on the performance of the portfolio at our upcoming national bi-annual investor roadshows to be held in early September.

As always, both myself and the wider NAOS team appreciate all shareholder feedback, so please do not hesitate to contact any member of the team with any comments you may have.

Thank you for allowing us to invest with your capital. We appreciate your continued support and value the responsibility that you have placed in us.



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

NAOS ASSET MANAGEMENT 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 maintains a focus on protecting capital and aims to deliver shareholders a sustainable growing stream of fully franked dividends, whilst providing capital growth over the longer term.

### 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 cutting, 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 30.



#### 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.

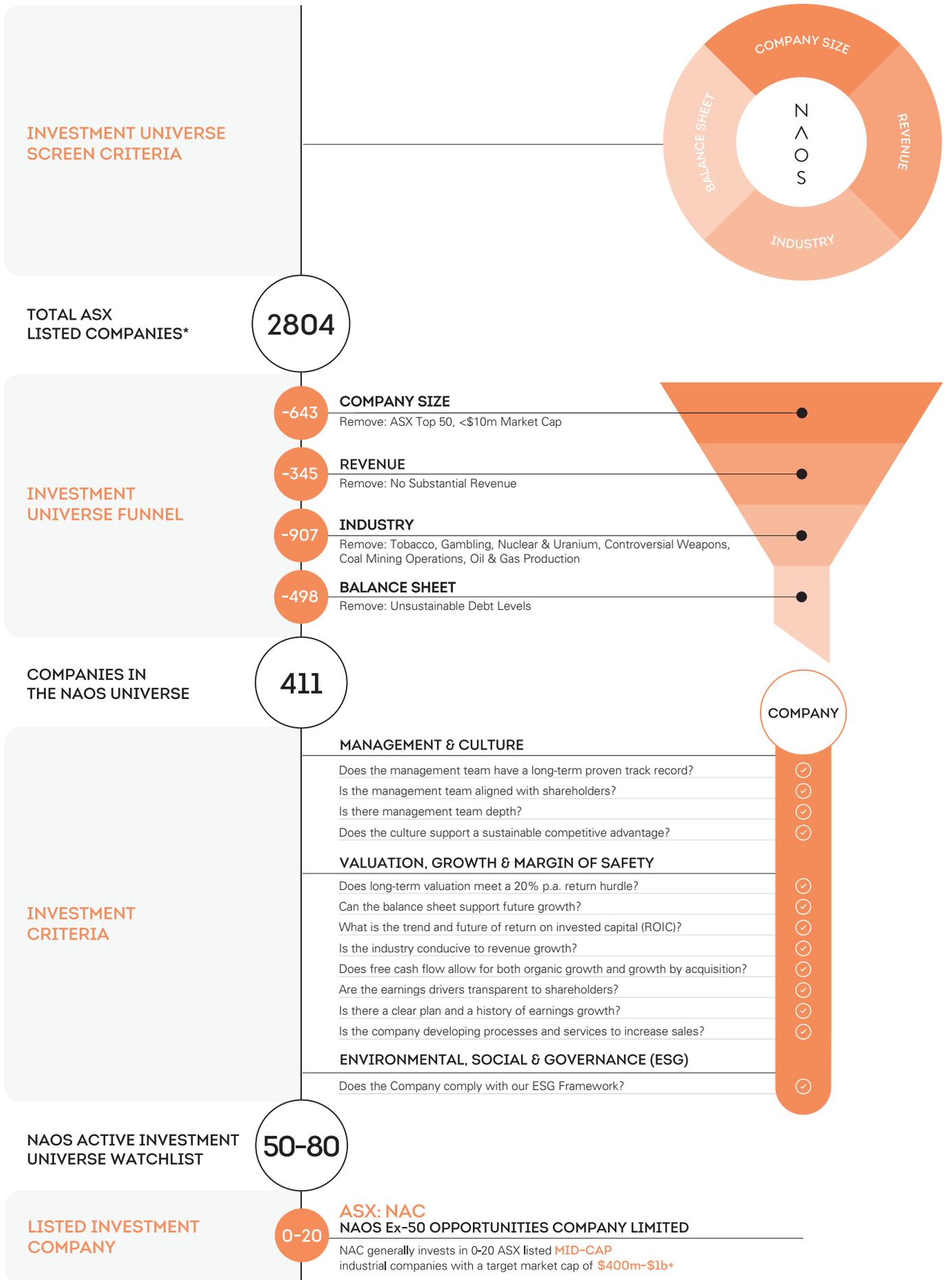


#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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 supports the UN Principles for Responsible Investment and is guided by these principles in incorporating ESG into our investment practices.

Further information about NAOS can be found at [www.naos.com.au](http://www.naos.com.au)

OUR INVESTMENT PROCESS



\* Source: Bloomberg Data June 2018

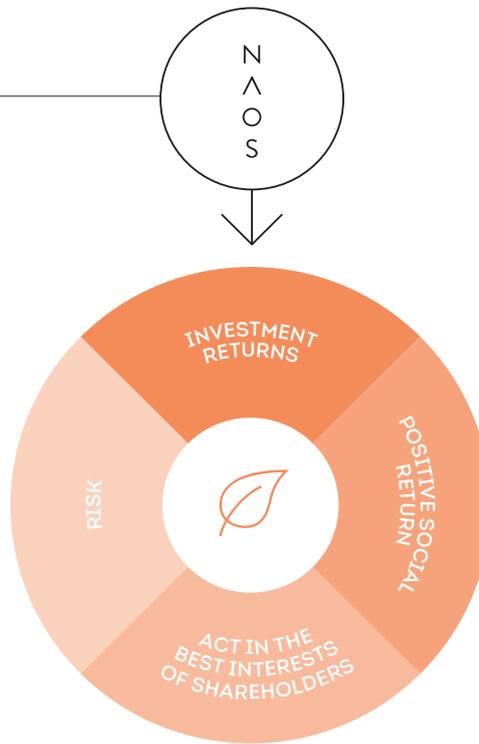
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## OUR COMMITMENT TO RESPONSIBLE INVESTMENT

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.

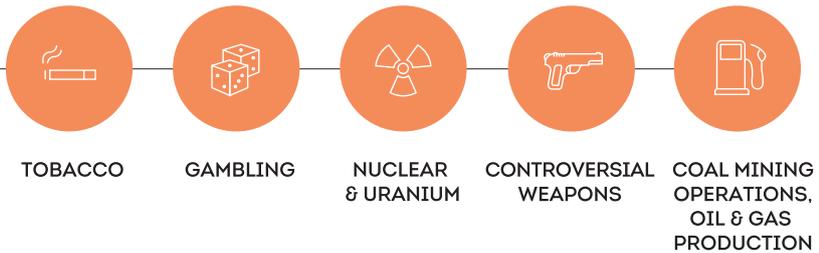
NAOS supports the UN Principles for Responsible Investment and is guided by these principles in incorporating ESG into our investment practices.



# 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

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.

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.

## OUR TEAM



**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.



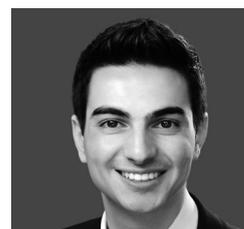
**RACHEL  
FOLDER**

**Investment Analyst**

Rachel joined NAOS in April 2018 as an Investment Analyst.

Prior to joining NAOS, Rachel was an Investment Analyst at Colonial First State Global Asset Management, and has previously completed the two-year graduate program.

Rachel graduated from the University of New South Wales with a Bachelor of Commerce, majoring in Actuarial Studies and Financial Economics.



**CHADD  
KNIGHTS**

**Investment Analyst**

Chadd joined NAOS in June 2015 as an Investment Analyst.

Chadd completed his double degree in Applied Finance and Economics from Macquarie University and is a candidate in the Chartered Financial Analyst (CFA) Program.



**RICHARD  
PREEDY**

**Chief Financial and  
Operating Officer**

Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 12 years' financial services experience in the UK and Australia, beginning his career in London with Deloitte & Touche before relocating to Sydney in 2013. Richard holds a BA (Hons) in Business Management from the University of Sheffield, and is a fully qualified Chartered Accountant.



**RAJIV  
SHARMA**

**Senior Legal Counsel**

Rajiv joined NAOS in August 2017. Most recently, he was Senior Legal Counsel at Magellan Financial Group and has previously worked at law firms Johnson Winter & Slattery and Clayton Utz.

Rajiv holds a Bachelor of Laws (First Class Honours), a Bachelor of Business (Accounting major) and a Graduate Diploma in Legal Practice from the University of Technology, Sydney. He is a member of the Law Society of New South Wales and is admitted to the Supreme Court of New South Wales and the High Court of Australia.



**JULIA  
STANISTREET**

**Business  
Development  
Manager**

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



**MEGAN  
WALKER**

**Marketing and  
Communications  
Manager**

Megan joined NAOS in December 2016 as the Marketing and Communications Manager.

Prior to joining NAOS, Megan gained over four years' experience in the financial services industry as a Relationship Manager specialising in shareholder relations for a range of ASX-listed entities. Megan holds a Bachelor of Business degree majoring in Marketing and Communications.



**SCOTT  
HILDEBRAND**

**Distribution and  
Sales Manager**

Scott joined NAOS in January 2018.

Scott has over 10 years' experience in investment markets. In this time Scott has gained experience across a variety of roles including research and sales trading, hedge fund sales and derivative sales. Scott was previously an Institutional Dealer at Blue Ocean Equities and the Head of Sales and Trading for CCZ Equities.

### **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](http://www.naos.com.au/corporate-governance)).

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## DIRECTORS' REPORT

The directors of NAOS Ex-50 Opportunities Company Limited (formerly NAOS Absolute Opportunities Company Limited) ACN 169 448 837 (the "Company"), submit their report for the Company for the year ended 30 June 2018.

### 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 mid-cap listed equities through a long biased structure with a long-term value focus that can produce positive absolute returns through the cycle with a lower correlation to general equity market movements.

### DIRECTORS AND OFFICERS

The names of the directors of the Company, in office from inception (8 May 2014) and up to the date of this report are:

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

Further details regarding the directors' qualifications and experience are set out on page 2 of the annual report.

### MEETINGS OF DIRECTORS

The following table shows the number of board meetings for the year ended 30 June 2018.

|                               | Year ended 30 June 2018 |          |
|-------------------------------|-------------------------|----------|
|                               | Eligible to attend      | Attended |
| Mr David Rickards (Chairman)  | 11                      | 11       |
| Mr Warwick Evans (Director)   | 11                      | 11       |
| Mr Sebastian Evans (Director) | 11                      | 11       |

### INTERESTS IN SHARES OF THE COMPANY

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

|                               | 30 June 2018<br>Relevant interests<br>(Shares) | 30 June 2017<br>Relevant interests<br>(Shares) |
|-------------------------------|--|--|
| Mr David Rickards (Chairman)  | 525,669  | 499,632  |
| Mr Warwick Evans (Director)   | 1,385,557                                      | 1,259,832                                      |
| Mr Sebastian Evans (Director) | 5,289,726                                      | 4,934,296                                      |

### OTHER DIRECTORSHIPS

Sebastian Evans, Warwick Evans and David Rickards are currently directors of NAOS Emerging Opportunities Company Limited and the NAOS Small Cap Opportunities Company Limited.

Sebastian Evans and Warwick Evans are currently directors of the Investment Manager.

## DIRECTORS' REPORT

Continued

### REVIEW OF OPERATIONS

#### Results

Please refer to the Investment Manager's review on page 4 regarding the performance of the Company.

The results of the operations of the Company are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The results and dividends were as follows:

|   | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|---|----------------------------------|----------------------------------|
| Profit before income tax                                | 4,414,891                        | 680,182                          |
| Income tax benefit/(expense)                            | (534,171)                        | 402,172                          |
| <b>Profit for the year</b>                              | <b>3,880,720</b>                 | <b>1,082,354</b>                 |
| <b>Profit for the year attributable to shareholders</b> | <b>3,880,720</b>                 | <b>1,082,354</b>                 |

#### DIVIDENDS PAID OR PAYABLE

| Year ended 30 June 2018                           | Dividend rate<br>(cents per share) | Total \$ amount  | % Franked | Date of payment |
|---|------------------------------------|------------------|-----------|-----------------|
| 2017 final dividend (declared 24 August 2017)     | 2.50                               | 1,313,422        | 100%      | 8 November 2017 |
| 2018 interim dividend (declared 16 February 2018) | 2.75                               | 1,444,765        | 100%      | 6 April 2018    |
|   |                                    | <b>2,758,187</b> |           |                 |

| Year ended 30 June 2017                           | Dividend rate<br>(cents per share) | Total \$ amount  | % Franked | Date of payment  |
|---|------------------------------------|------------------|-----------|------------------|
| 2016 final dividend (declared 25 August 2016)     | 2.50                               | 1,025,454        | 100%      | 30 November 2016 |
| 2017 interim dividend (declared 13 February 2017) | 2.50                               | 1,310,270        | 100%      | 28 April 2017    |
|   |                                    | <b>2,335,724</b> |           |                  |

Since 30 June 2018, the Board has declared a final dividend of 2.50 cents per share, fully franked, to be paid on 19 September 2018.

## **FINANCIAL POSITION**

The net tangible asset value of the Company as at 30 June 2018 was \$57,440,990 (2017: \$56,318,457). Further information on the financial position of the Company is included in the Chairman's letter.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

## **SUBSEQUENT EVENTS**

At the General Meeting on 6 July 2018, shareholders resolved by special resolution to change the Company's name from NAOS Absolute Opportunities Company Limited to NAOS Ex-50 Opportunities Company Limited. The ticker code (ASX: NAC) has not changed and will remain the same.

On 23 August 2018, the Company declared a fully franked dividend of 2.50 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 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**

No non-audit services were provided during the year. Refer to Note 11 of this financial report for details of auditor remuneration.

## **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 18.

## DIRECTORS' REPORT

Continued

### 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.

Directors' remuneration received for the year ended 30 June 2018 and 30 June 2017 is disclosed below:

|                               | Short-term<br>employee<br>benefits<br>Directors fees<br>\$ | Post-<br>employment<br>benefit<br>Super-<br>annuation<br>\$ | Total         |
|-------------------------------|--|---|---------------|
| <b>30 June 2018</b>           |  |   |               |
| Mr David Rickards (Chairman)  | 27,397   | 2,603   | 30,000        |
| Mr Warwick Evans (Director)   | 9,132  | 868   | 10,000        |
| Mr Sebastian Evans (Director) | –  | –   | –             |
|                               | <b>36,529</b>  | <b>3,471</b>  | <b>40,000</b> |
| <b>30 June 2017</b>           |  |   |               |
| Mr David Rickards (Chairman)  | 27,397   | 2,603   | 30,000        |
| Mr Warwick Evans (Director)   | 9,132  | 868   | 10,000        |
| Mr Sebastian Evans (Director) | –  | –   | –             |
|                               | <b>36,529</b>  | <b>3,471</b>  | <b>40,000</b> |

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

## REMUNERATION REPORT – AUDITED (CONTINUED)

### Remuneration of Directors (continued)

During the year ended 30 June 2018 and the year ended 30 June 2017, the relevant interests of the directors and their related parties in the shares of the Company were:

| Ordinary shares<br>Year ended 30 June 2018 | Opening<br>balance<br>No of shares | Acquired<br>No of shares | Sold<br>No of shares | Closing<br>balance<br>No of shares |
|--|------------------------------------|--------------------------|----------------------|------------------------------------|
| Mr David Rickards (Chairman)               | 499,632                            | 26,037                   | –                    | 525,669                            |
| Mr Warwick Evans (Director)                | 1,259,832                          | 125,725                  | –                    | 1,385,557                          |
| Mr Sebastian Evans (Director)              | 4,934,296                          | 355,430                  | –                    | 5,289,726                          |

| Ordinary shares<br>Year ended 30 June 2017 | Opening<br>balance<br>No of shares | Acquired<br>No of shares | Sold<br>No of shares | Closing<br>balance<br>No of shares |
|--|------------------------------------|--------------------------|----------------------|------------------------------------|
| Mr David Rickards (Chairman)               | 465,087                            | 34,545                   | –                    | 499,632                            |
| Mr Warwick Evans (Director)                | 884,966                            | 374,866                  | –                    | 1,259,832                          |
| Mr Sebastian Evans (Director)              | 1,346,275                          | 3,588,021                | –                    | 4,934,296                          |

This directors' report is signed in accordance with a resolution of directors of the Company made pursuant to Section 298 (2) of the Corporations Act 2001.



Sebastian Evans  
Director  
23 August 2018

**Deloitte.**

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

23 August 2018

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 (formerly NAOS Absolute 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 2018, 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

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## 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 2018, 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 (formerly NAOS Absolute Opportunities Company Limited) is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 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* (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><b><u>Valuation and existence of financial assets held at fair value through profit or loss</u></b></p> <p>As at 30 June 2018, the Company's listed equity securities held at fair value through profit or loss amounted to \$54.4 million as disclosed in Notes 7 and 16.</p> <p>These are the Company's largest assets and they represent the most significant driver of the Company's revenue and its performance.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• agreeing on a sample basis, the valuation of listed equity securities to an independent pricing source; and</li> <li>• agreeing on a sample basis, the investment holdings to the external custodian's holdings statement.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 7 and 16 to the financial statements.</p> |

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## Deloitte.

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, 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, related safeguards.

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 16 and 17 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of NAOS Ex-50 Opportunities Company Limited, for the year ended 30 June 2018, 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*

David Salmon  
Partner  
Chartered Accountants  
Canberra, 23 August 2018

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

|  | Note | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|------|----------------------------------|----------------------------------|
| <b>Income</b>  | 3    | 6,255,651                        | 2,247,250                        |
| <b>Expenses</b>  |      |                                  |                                  |
| Management fees  | 15   | (1,065,231)                      | (897,698)                        |
| Performance fees   | 15   | (224,876)                        | –                                |
| Dividend expense on short sales  |      | (64,252)                         | (76,077)                         |
| Prime broker and custody fees  |      | (72,840)                         | (155,736)                        |
| Administration fees  |      | (59,970)                         | (53,851)                         |
| Directors' remuneration  |      | (40,000)                         | (40,000)                         |
| Australian stock exchange fees   |      | (45,048)                         | (76,079)                         |
| Auditor's remuneration   |      | (36,000)                         | (36,000)                         |
| Registry fees  |      | (38,530)                         | (61,684)                         |
| Company secretarial fees   |      | (31,900)                         | (27,926)                         |
| Other expenses from ordinary activities  |      | (162,113)                        | (142,017)                        |
| <b>Profit before income tax expense</b>  |      | <b>4,414,891</b>                 | <b>680,182</b>                   |
| Income tax (expense)/benefit   | 4    | (534,171)                        | 402,172                          |
| <b>Profit for the year attributable to shareholders of the Company</b>                     |      | <b>3,880,720</b>                 | <b>1,082,354</b>                 |
| Other comprehensive income   |      | –                                | –                                |
| <b>Total comprehensive income for the year attributable to shareholders of the Company</b> |      | <b>3,880,720</b>                 | <b>1,082,354</b>                 |
| <b>Basic and diluted earnings per share (cents per share)</b>                              | 17   | <b>7.39</b>                      | <b>2.59</b>                      |

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

|  | Note  | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--|-------|-----------------------------|-----------------------------|
| <b>Assets</b>  |       |                             |                             |
| Cash and cash equivalents                                  | 12(a) | 4,089,412                   | 5,403,270                   |
| Trade and other receivables                                | 6     | 186,333                     | 2,351,609                   |
| Financial assets at fair value through profit or loss      | 7(a)  | 54,405,716                  | 54,796,849                  |
| Deferred tax assets  | 4(b)  | 534,043                     | 942,664                     |
| <b>Total assets</b>  |       | <b>59,215,504</b>           | <b>63,494,392</b>           |
| <b>Liabilities</b>   |       |                             |                             |
| Bank overdraft   | 12(a) | –                           | 7,660                       |
| Trade and other payables                                   | 8     | 408,789                     | 579,769                     |
| Financial liabilities at fair value through profit or loss | 7(b)  | –                           | 5,348,331                   |
| Deferred tax liabilities                                   | 4(c)  | 1,365,725                   | 1,240,175                   |
| <b>Total liabilities</b>                                   |       | <b>1,774,514</b>            | <b>7,175,935</b>            |
| <b>Net assets</b>  |       | <b>57,440,990</b>           | <b>56,318,457</b>           |
| <b>Equity</b>  |       |                             |                             |
| Issued capital   | 9     | 53,528,189                  | 53,528,189                  |
| Profits reserve  | 10(a) | 5,655,209                   | 3,795,195                   |
| Accumulated losses   | 10(b) | (1,742,408)                 | (1,004,927)                 |
| <b>Total equity</b>  |       | <b>57,440,990</b>           | <b>56,318,457</b>           |

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 2018**

|  | Issued capital<br>\$ | Share option<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Profits<br>reserve<br>\$ | Total<br>Equity<br>\$ |
|--|----------------------|-------------------------------|-----------------------------|--------------------------|-----------------------|
| <b>Balance at 1 July 2016</b>            | <b>26,740,114</b>    | <b>1,298,636</b>              | <b>–</b>                    | <b>4,043,638</b>         | <b>32,082,388</b>     |
| Profit for the Year                      | –                    | –                             | 1,082,354                   | –                        | 1,082,354             |
| Transfer to Profits Reserve              | –                    | –                             | (2,087,281)                 | 2,087,281                | –                     |
| Other Comprehensive Income               | –                    | –                             | –                           | –                        | –                     |
| Dividend paid                            | –                    | –                             | –                           | (2,335,724)              | (2,335,724)           |
| Shares issued under placement and SPP    | 10,540,229           | –                             | –                           | –                        | 10,540,229            |
| Share Placement Costs                    | (151,132)            | –                             | –                           | –                        | (151,132)             |
| Shares issued under DRP                  | 139,092              | –                             | –                           | –                        | 139,092               |
| Dividend reinvestment on market purchase | 175,650              | –                             | –                           | –                        | 175,650               |
| Purchase of shares on market for DRP     | (175,650)            | –                             | –                           | –                        | (175,650)             |
| Share Options Exercised                  | 14,961,250           | –                             | –                           | –                        | 14,961,250            |
| Transfer from Share Option Reserve       | 1,298,636            | (1,298,636)                   | –                           | –                        | –                     |
| <b>Balance at 30 June 2017</b>           | <b>53,528,189</b>    | <b>–</b>                      | <b>(1,004,927)</b>          | <b>3,795,195</b>         | <b>56,318,457</b>     |
| Profit for the Year                      | –                    | –                             | 3,880,720                   | –                        | 3,880,720             |
| Transfer to Profits Reserve              | –                    | –                             | (4,618,201)                 | 4,618,201                | –                     |
| Other Comprehensive Income               | –                    | –                             | –                           | –                        | –                     |
| Dividend paid                            | –                    | –                             | –                           | (2,758,187)              | (2,758,187)           |
| Dividend reinvestment on market purchase | 275,635              | –                             | –                           | –                        | 275,635               |
| Purchase of shares on market for DRP     | (275,635)            | –                             | –                           | –                        | (275,635)             |
| <b>Balance at 30 June 2018</b>           | <b>53,528,189</b>    | <b>–</b>                      | <b>(1,742,408)</b>          | <b>5,655,209</b>         | <b>57,440,990</b>     |

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 2018**

|   | Note  | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|---|-------|----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                 |       |                                  |                                  |
| Dividends received  |       | 3,152,013                        | 2,158,129                        |
| Dividends paid – short sales                                |       | (64,252)                         | (76,077)                         |
| Interest received   |       | 48,927                           | 72,202                           |
| Interest paid   |       | (15,989)                         | (20,715)                         |
| Management fee paid   |       | (1,140,211)                      | (861,913)                        |
| Performance fee paid  |       | –                                | (1,119,044)                      |
| Directors' remuneration paid                                |       | (41,000)                         | (39,000)                         |
| Income tax paid   |       | 302,656                          | (336,180)                        |
| Administration and tax service fee paid                     |       | (68,689)                         | (59,102)                         |
| ASX fees paid   |       | (45,048)                         | (76,079)                         |
| Audit fees paid   |       | (39,789)                         | (37,009)                         |
| Prime broker and custody fee paid                           |       | (94,083)                         | (156,469)                        |
| Registry service fees paid                                  |       | (32,771)                         | (61,444)                         |
| Company secretarial fees paid                               |       | (31,900)                         | (27,926)                         |
| Other payments  |       | (53,424)                         | (59,531)                         |
| <b>Net cash provided by/(used in) operating activities</b>  | 12(b) | <b>1,876,440</b>                 | <b>(700,158)</b>                 |
| <b>Cash flows from investing activities</b>                 |       |                                  |                                  |
| Payments for purchase of investments                        |       | (126,169,262)                    | (173,647,180)                    |
| Proceeds from sale of investments                           |       | 125,747,804                      | 156,566,319                      |
| <b>Net cash used in investing activities</b>                |       | <b>(421,458)</b>                 | <b>(17,080,861)</b>              |
| <b>Cash flows from financing activities</b>                 |       |                                  |                                  |
| Receipts from shares issued during the year                 |       | –                                | 10,540,229                       |
| Placement fee on shares issued                              |       | –                                | (215,902)                        |
| Purchase of shares on market for dividend reinvestment plan |       | (275,635)                        | (175,650)                        |
| Dividends paid  |       | (2,485,545)                      | (2,043,742)                      |
| Receipts from option exercise                               |       | –                                | 14,961,250                       |
| <b>Net cash used in/(provided by) financing activities</b>  |       | <b>(2,761,180)</b>               | <b>23,066,185</b>                |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>(1,306,198)</b>               | <b>5,285,166</b>                 |
| Cash and cash equivalents at the beginning of the year*     |       | 5,395,610                        | 110,444                          |
| <b>Cash and cash equivalents at the end of the year*</b>    | 12(a) | <b>4,089,412</b>                 | <b>5,395,610</b>                 |
| <b>Non-cash activities – Dividend reinvestment</b>          |       | <b>–</b>                         | <b>139,092</b>                   |

\*Includes bank overdraft

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

### 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 23 August 2018.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Basis of Preparation

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

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

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to shareholders.

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

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

#### 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 ("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, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within liabilities on the Statement of Financial Position.

### h) Investments in Financial Instruments

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Investments in Financial Instruments (continued)

#### (i) Classification

The Company's investments are categorised as at fair value through profit or loss. They comprise:

#### *Financial Instruments Designated at Fair Value through Profit or Loss*

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments.

Financial assets and financial liabilities designated at fair value through profit or loss at commencement of operations are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

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

#### (ii) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date that it becomes party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

#### *Financial Assets and Liabilities Held at Fair Value through Profit or Loss*

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

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

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

#### (iv) Offsetting financial instruments

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

### i) Expenses

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

### 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 current and deferred tax.

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l) Taxation (continued)**

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

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

**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) Foreign Currency Transactions**

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

**o) 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.

**p) Profits Reserve**

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

**q) 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.

**r) 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.

**s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in Note 1(h) of these financial statements.

## 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2017 that have had a material impact on the Company.

### b) Standards and Interpretations in issue but not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective, and are available for early adoption.

| Standard/Interpretation                         | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|--|---|
| AASB 9 "Financial Instruments"                  | 1 January 2018   | 30 June 2019  |
| AASB 15 "Revenue from Contracts with Customers" | 1 January 2018   | 30 June 2019  |

The Directors have assessed the impact of the above Australian Accounting Standards and have concluded that the reported results and position of the Company will not change on adoption as they do not result in any changes to any of the Company's existing accounting policies.

## 3. INCOME

|  | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Gains on financial instruments held at fair value through profit or loss | 3,077,156                        | 452,526                          |
| Interest income  | 51,282                           | 75,175                           |
| Dividend income  | 3,127,213                        | 1,719,549                        |
|  | <b>6,255,651</b>                 | <b>2,247,250</b>                 |

## 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<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Prima facie income tax expense calculated at 30% | 1,324,467                        | 204,055                          |
| Imputation credit gross up                       | 338,073                          | 259,703                          |
| Franking credit offset                           | (1,126,910)                      | (865,678)                        |
| Other non-assessable items                       | (1,459)                          | (252)                            |
|  | <b>534,171</b>                   | <b>(402,172)</b>                 |
| Effective tax rate                               | 12%                              | 0%                               |

## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 4. INCOME TAX (CONTINUED)

#### a) Income Tax Expense/(Benefit) (continued)

|  | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Total Income tax expense/(benefit) results in a: |                                  |                                  |
| Change in deferred tax liability                 | 125,550                          | 122,674                          |
| Change in deferred tax asset                     | 408,621                          | (524,846)                        |
|  | 534,171                          | (402,172)                        |

\* Changes in deferred tax assets exclude the impact of items directly recognised in equity.

#### b) Deferred Tax Asset

|  | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--|-----------------------------|-----------------------------|
| Tax losses   | 409,871                     | 875,334                     |
| Other temporary differences in relation to future deductible liabilities | 85,310                      | 2,560                       |
| Capitalised share issue costs  | 38,862                      | 64,770                      |
|  | 534,043                     | 942,664                     |

|  | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Movement in deferred tax assets  |                                  |                                  |
| Balance at the beginning of the period   | 942,664                          | 353,048                          |
| Credited/(charged) to the Statement of Profit or Loss and Other Comprehensive Income | (395,667)                        | 524,846                          |
| Capitalised share issue and placement costs  | (12,954)                         | 64,770                           |
| At reporting date  | 534,043                          | 942,664                          |

#### c) Deferred Tax Liability

|                        | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|------------------------|-----------------------------|-----------------------------|
| Fair value adjustments | 1,365,725                   | 1,240,175                   |

|  | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Movement in deferred tax liabilities   |                                  |                                  |
| Balance at the beginning of the year   | 1,240,175                        | 1,117,501                        |
| Charged/(credited) to the Statement of Profit or Loss and Other Comprehensive Income | 125,550                          | 122,674                          |
| At reporting date  | 1,365,725                        | 1,240,175                        |

## 5. DIVIDEND PAID AND PAYABLE

| Year ended 30 June 2018                           | Dividend rate<br>(cents per share) | Total \$<br>amount | %<br>Franked | Date of payment |
|---|------------------------------------|--------------------|--------------|-----------------|
| 2017 final dividend (declared 24 August 2017)     | 2.50                               | 1,313,422          | 100%         | 8 November 2017 |
| 2018 interim dividend (declared 16 February 2018) | 2.75                               | 1,444,765          | 100%         | 6 April 2018    |
|   |                                    | <b>2,758,187</b>   |              |                 |

| Year ended 30 June 2017                           | Dividend rate<br>(cents per share) | Total \$<br>amount | %<br>Franked | Date of payment  |
|---|------------------------------------|--------------------|--------------|------------------|
| 2016 final dividend (declared 25 August 2016)     | 2.50                               | 1,025,454          | 100%         | 30 November 2016 |
| 2017 interim dividend (declared 13 February 2017) | 2.50                               | 1,310,270          | 100%         | 28 April 2017    |
|   |                                    | <b>2,335,724</b>   |              |                  |

As at 30 June 2018, the outstanding dividend payable was \$23,860 (30 June 2017: \$26,853).

## Dividend Franking Information

|   | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|---|----------------------------------|----------------------------------|
| Franking credits available for shareholders from previous financial periods | 1,164,833                        | 1,163,186                        |
| Impact on the franking account of dividends paid during the period          | (1,182,080)                      | (1,001,025)                      |
| Impact on the franking account of dividends received during the period      | 1,126,911                        | 668,278                          |
| Impact on the franking account of income tax paid/refunded                  | (302,656)                        | 334,394                          |
| Franking account balance at reporting date                                  | <b>807,008</b>                   | <b>1,164,833</b>                 |

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. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

|                                  | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|----------------------------------|-----------------------------|-----------------------------|
| Dividend receivable              | –                           | 24,800                      |
| GST receivable                   | 92,370                      | 57,428                      |
| Other receivables                | 10,361                      | 10,512                      |
| Receivable from investments sold | –                           | 1,856,312                   |
| Prepaid expenses                 | 51,864                      | 68,163                      |
| Income tax paid in advance       | 31,738                      | 334,394                     |
|                                  | <b>186,333</b>              | <b>2,351,609</b>            |

Receivables are non-interest bearing and unsecured. Outstanding trades, i.e. "Receivables from investments sold", are on the terms operating in the securities 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 (2017: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 7. INVESTMENTS IN FINANCIAL INSTRUMENTS

#### a) Financial Assets at Fair Value through Profit or Loss

|   | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|---|-----------------------------|-----------------------------|
| Investment in listed equity securities                      | 54,405,716                  | 54,796,849                  |
| Total financial assets at fair value through profit or loss | 54,405,716                  | 54,796,849                  |

#### b) Financial Liabilities at Fair Value through Profit or Loss

|  | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--|-----------------------------|-----------------------------|
| Investment in listed equity securities – short sales             | –                           | 5,348,331                   |
| Total financial liabilities at fair value through profit or loss | –                           | 5,348,331                   |

#### Disclosed fair values

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

### 8. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

|                                | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--------------------------------|-----------------------------|-----------------------------|
| Auditor's remuneration payable | 13,805                      | 17,594                      |
| Management fees payable        | 93,921                      | 90,957                      |
| Unsettled trades payable       | –                           | 397,727                     |
| Performance fees payable       | 241,330                     | –                           |
| Other payables                 | 59,733                      | 73,491                      |
| Total                          | 408,789                     | 579,769                     |

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

### 9. ISSUED CAPITAL

|  | 30 June 2018  |            | 30 June 2017  |            |
|--|---------------|------------|---------------|------------|
|  | No. of shares | \$         | No. of shares | \$         |
| Issued and paid up capital – Ordinary shares | 52,536,889    | 53,528,189 | 52,536,889    | 53,528,189 |

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     | Issue price \$ | \$                |
|--------------|---|-------------------|----------------|-------------------|
| 01 July 2016 | Opening balance   | 28,038,750        |                | 26,740,114        |
|              | Share option exercise                                       | 14,961,250        | 1.000          | 14,961,250        |
|              | Shares issued under placement and SPP                       | 9,410,791         | 1.120          | 10,540,229        |
|              | Share placement fees (net of tax)                           | –                 |                | (151,132)         |
|              | Shares issued under Dividend Reinvestment Plan              | 126,098           | 1.103          | 139,092           |
|              | Dividend reinvestment on market shares                      | 152,297           |                | 175,650           |
|              | Purchase of shares on market for Dividend Reinvestment Plan | (152,297)         |                | (175,650)         |
|              | Share option reserve  | –                 |                | 1,298,636         |
| 30 June 2017 | <b>Closing balance</b>                                      | <b>52,536,889</b> |                | <b>53,528,189</b> |
| 01 July 2017 | Opening balance   | 52,536,889        |                | 53,528,189        |
|              | Dividend reinvestment on market shares                      | 270,054           |                | 275,635           |
|              | Purchase of shares on market for Dividend Reinvestment Plan | (270,054)         |                | (275,635)         |
| 30 June 2018 | <b>Closing balance</b>                                      | <b>52,536,889</b> |                | <b>53,528,189</b> |

## 10. RESERVES

### a) Profits Reserve

|                                      | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--------------------------------------|-----------------------------|-----------------------------|
| Balance at the beginning of the year | 3,795,195                   | 4,043,638                   |
| Transfer to Profits Reserve          | 4,618,201                   | 2,087,281                   |
| Dividends paid                       | (2,758,187)                 | (2,335,724)                 |
| <b>Balance at Reporting Date</b>     | <b>5,655,209</b>            | <b>3,795,195</b>            |

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<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|--|-----------------------------|-----------------------------|
| Balance at the beginning of the year                           | (1,004,927)                 | –                           |
| Transfer to Profits Reserve                                    | (4,618,201)                 | (2,087,281)                 |
| Profit for the year attributable to the members of the Company | 3,880,720                   | 1,082,354                   |
| <b>Balance at Reporting Date</b>                               | <b>(1,742,408)</b>          | <b>(1,004,927)</b>          |

During the half year period to 30 June 2018, the Company recorded \$737,481 of accumulated losses (2017: \$1,004,927).

## 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<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|--|----------------------------------|----------------------------------|
| Deloitte Touche Tohmatsu – audit and review of the financial reports | 36,000                           | 36,000                           |
| <b>Total auditor's remuneration</b>                                  | <b>36,000</b>                    | <b>36,000</b>                    |

### 12. CASH AND CASH EQUIVALENTS

#### a) Components of Cash and Cash Equivalents

|                | As at<br>30 June 2018<br>\$ | As at<br>30 June 2017<br>\$ |
|----------------|-----------------------------|-----------------------------|
| Cash at bank   | 4,089,412                   | 5,403,270                   |
| Bank overdraft | –                           | (7,660)                     |
|                | <b>4,089,412</b>            | <b>5,395,610</b>            |

#### b) Reconciliation of Net Profit for the Year to Cash (Used in)/Provided by Operating Activities

|   | Year ended<br>30 June 2018<br>\$ | Year ended<br>30 June 2017<br>\$ |
|---|----------------------------------|----------------------------------|
| Profit for the year attributable to shareholders after tax  | 3,880,720                        | 1,082,354                        |
| Adjustments for:  |                                  |                                  |
| Change in value of financial assets designated at fair value through profit or loss                       | (3,077,156)                      | (452,526)                        |
| Income tax expense/(benefit) recognised in the Statement of Profit or Loss and Other Comprehensive Income | 534,171                          | (402,172)                        |
| Income tax paid/(refunded)  | 302,656                          | (336,180)                        |
| Change in assets and liabilities:   |                                  |                                  |
| Decrease/(increase) in trade and other receivables  | 6,309                            | 497,823                          |
| Increase/(decrease) in trade and other payables   | 229,740                          | (1,089,457)                      |
| <b>Net cash used in operating activities</b>  | <b>1,876,440</b>                 | <b>(700,158)</b>                 |

### 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 2018 was \$40,000 (2017: \$40,000).

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

#### b) Related Party Shareholdings

##### *NAOS Asset Management Limited*

The Company has outsourced its investment management function to NAOS Asset Management Limited. Other than the disclosure at Note 15 and above there was no interest in the Company held by other entities also managed by the key management personnel.

##### *Holdings of Shares by Key Management Personnel*

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

| Ordinary shares<br>Year ended 30 June 2018 | Opening<br>balance<br>No of shares | Acquired<br>No of shares | Sold<br>No of shares | Closing<br>balance<br>No of shares |
|--|------------------------------------|--------------------------|----------------------|------------------------------------|
| Mr David Rickards (Chairman)               | 499,632                            | 26,037                   | –                    | 525,669                            |
| Mr Warwick Evans (Director)                | 1,259,832                          | 125,725                  | –                    | 1,385,557                          |
| Mr Sebastian Evans (Director)              | 4,934,296                          | 355,430                  | –                    | 5,289,726                          |

| Ordinary shares<br>Year ended 30 June 2017 | Opening<br>balance<br>No of shares | Acquired<br>No of shares | Sold<br>No of shares | Closing<br>balance<br>No of shares |
|--|------------------------------------|--------------------------|----------------------|------------------------------------|
| Mr David Rickards (Chairman)               | 465,087                            | 34,545                   | –                    | 499,632                            |
| Mr Warwick Evans (Director)                | 884,966                            | 374,866                  | –                    | 1,259,832                          |
| Mr Sebastian Evans (Director)              | 1,346,275                          | 3,588,021                | –                    | 4,934,296                          |

#### 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 2018:

- Management fees of \$1,065,231 (2017: \$897,698) (excluding RITC\*) were incurred during the year.
- Management fees payable at 30 June 2018 were \$93,921 (2017: \$90,957) (including RITC\*).

#### Performance Fees

In the event that the portfolio outperforms the Benchmark, being the RBA cash rate plus 250 basis points, the Company must pay the Investment Manager a performance fee equal to 20% (excluding GST) per annum of the amount the portfolio outperforms the Benchmark, subject to a High Watermark Cap of 8% per annum. No performance fee is payable if the portfolio underperforms the Benchmark. 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 2018:

- Performance fees of \$224,876 (2017: \$nil) (excluding RITC\*) were incurred during the year.
- Performance fees payable at 30 June 2018 were \$241,330 (2017: \$nil) (including RITC\*).

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

### 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 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 credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

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

The Investment Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of sufficient quality and diversity 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, Australian Executor Trustees) 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 tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

#### (i) Interest Rate Risk

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

|  | Floating<br>interest rate<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$       |
|--|---------------------------------|-------------------------------|-------------------|
| <b>30 June 2018</b>  |                                 |                               |                   |
| <b>Assets</b>  |                                 |                               |                   |
| Cash and cash equivalents                                  | 4,089,412                       | –                             | 4,089,412         |
| Trade and other receivables                                | –                               | 186,333                       | 186,333           |
| Financial assets at fair value through profit or loss      | –                               | 54,405,716                    | 54,405,716        |
| <b>Total Assets</b>  | <b>4,089,412</b>                | <b>54,592,049</b>             | <b>58,681,461</b> |
| <b>Liabilities</b>   |                                 |                               |                   |
| Trade and other payables                                   | –                               | 408,789                       | 408,789           |
| <b>Total Liabilities</b>                                   | <b>–</b>                        | <b>408,789</b>                | <b>408,789</b>    |
| <b>Net exposure</b>  | <b>4,089,412</b>                | <b>54,183,260</b>             | <b>58,272,672</b> |
| <b>30 June 2017</b>  |                                 |                               |                   |
| <b>Assets</b>  |                                 |                               |                   |
| Cash and cash equivalents                                  | 5,403,270                       | –                             | 5,403,270         |
| Trade and other receivables                                | –                               | 2,351,609                     | 2,351,609         |
| Financial assets at fair value through profit or loss      | –                               | 54,796,849                    | 54,796,849        |
| <b>Total Assets</b>  | <b>5,403,270</b>                | <b>57,148,458</b>             | <b>62,551,728</b> |
| <b>Liabilities</b>   |                                 |                               |                   |
| Bank overdraft   | 7,660                           | –                             | 7,660             |
| Trade and other payables                                   | –                               | 579,769                       | 579,769           |
| Financial liabilities at fair value through profit or loss | –                               | 5,348,331                     | 5,348,331         |
| <b>Total Liabilities</b>                                   | <b>7,660</b>                    | <b>5,928,100</b>              | <b>5,935,760</b>  |
| <b>Net exposure</b>  | <b>5,395,610</b>                | <b>51,220,358</b>             | <b>56,615,968</b> |

## 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<br>increase/(decrease) | Impact on operating profit/<br>Net assets attributable<br>to shareholders<br>(\$) |
|---------------------|---|---|
| <b>30 June 2018</b> |   |   |
| AUD interest rate   | 25bps/(25bps)                                 | 10,224/(10,224)   |
| <b>30 June 2017</b> |   |   |
| AUD interest rate   | 25bps/(25bps)                                 | 13,489/(13,489)   |

##### (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/<br>Net assets attributable<br>to shareholders |           |
|--------------|---|-----------|
|              | -10%<br>\$  | 10%<br>\$ |
| 30 June 2018 | (5,440,572)   | 5,440,572 |
| 30 June 2017 | (4,944,852)   | 4,944,852 |

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### b) Market Risk (continued)

#### (iii) Other Price Risk

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

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

| Industry   | % of Portfolio |              |
|--|----------------|--------------|
|  | 30 June 2018   | 30 June 2017 |
| Commercial Services and Supplies                 | 20.06%         | 20.44%       |
| Telecommunication Services                       | 17.77%         | 16.52%       |
| Consumer Services                                | 15.78%         | –            |
| Capital Goods                                    | 15.02%         | 2.03%        |
| Healthcare                                       | 14.82%         | 1.85%        |
| Agriculture                                      | 5.58%          | 2.16%        |
| Financial Services                               | 5.56%          | 21.27%       |
| Retail   | 5.41%          | –            |
| Media  | –              | 19.09%       |
| Software and Services                            | –              | 14.20%       |
| Materials  | –              | 5.08%        |
| Pharmaceuticals, Biotechnology and Life Sciences | –              | (2.64%)      |
|  | 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 Investment Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount; the Company can alter its cash outflows as appropriate. The assets of the Company are largely in the form of tradeable securities which (if liquidity is available), can be sold on the market if necessary.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2018 to the contractual maturity date.

|  | 30 June 2018    |                 |                   |                   | Total<br>\$ |
|--|-----------------|-----------------|-------------------|-------------------|-------------|
|  | On demand<br>\$ | < 1 month<br>\$ | 1-12 months<br>\$ | > 12 months<br>\$ |             |
| Trade and other payables                                   | –               | 408,789         | –                 | –                 | 408,789     |
| <b>Total financial liabilities</b>                         | –               | 408,789         | –                 | –                 | 408,789     |
|  | 30 June 2017    |                 |                   |                   | Total<br>\$ |
|  | On demand<br>\$ | < 1 month<br>\$ | 1-12 months<br>\$ | > 12 months<br>\$ |             |
| Bank overdraft   | –               | 7,660           | –                 | –                 | 7,660       |
| Trade and other payables                                   | –               | 579,769         | –                 | –                 | 579,769     |
| Financial liabilities at fair value through profit or loss | –               | –               | 5,348,331         | –                 | 5,348,331   |
| <b>Total financial liabilities</b>                         | –               | 587,429         | 5,348,331         | –                 | 5,935,760   |

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

##### Level 1:

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

##### Level 2:

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

##### Level 3:

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

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

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 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|-----------------------|---------------|---------------|---------------|-------------|
| 30 June 2018          |               |               |               |             |
| Financial assets      | 54,405,716    | –             | –             | 54,405,716  |
| Financial liabilities | –             | –             | –             | –           |
| Total                 | 54,405,716    | –             | –             | 54,405,716  |

|                       | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|-----------------------|---------------|---------------|---------------|-------------|
| 30 June 2017          |               |               |               |             |
| Financial assets      | 54,796,849    | –             | –             | 54,796,849  |
| Financial liabilities | (5,348,331)   | –             | –             | (5,348,331) |
| Total                 | 49,448,518    | –             | –             | 49,448,518  |

#### e) Capital Management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and reserves as disclosed in Notes 9 and 10 respectively. The Company is not subject to externally imposed capital requirements. The Company's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Company's prospectus;
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by using various investment strategies;
- to maintain sufficient liquidity to meet the ongoing expenses of the Company; and
- to maintain sufficient size to make the operation of the Company cost-efficient.

## 17. EARNINGS PER SHARE

|  | Year ended<br>30 June 2018<br>cents | Year ended<br>30 June 2017<br>cents |
|--|-------------------------------------|-------------------------------------|
| Basic and diluted earnings per share   | 7.39                                | 2.59                                |
|  | Shares                              | Shares                              |
| Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share | 52,536,889                          | 41,754,086                          |
|  | \$                                  | \$                                  |
| Net profit used in the calculation of basic and diluted earnings per share                                 | 3,880,720                           | 1,082,354                           |

## 18. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2018 (30 June 2017: Nil).

## 19. SUBSEQUENT EVENTS

At the General Meeting on 6 July 2018, shareholders resolved by special resolution to change the Company's name from NAOS Absolute Opportunities Company Limited to NAOS Ex-50 Opportunities Company Limited.

On 23 August 2018, the Company declared a fully franked dividend of 2.50 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 2018;
- 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  
23 August 2018

## ADDITIONAL INFORMATION

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

### INVESTMENT PORTFOLIO

As at 30 June 2018 the Company had the following investments:

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Beacon Lighting Group Limited  
Elders Limited  
Helloworld Travel Limited  
Japara Healthcare Limited  
MNF Group Limited  
Moelis Australia Limited  
People Infrastructure Limited  
Pivotal Systems Corporation  
Reece Limited  
Service Stream Limited  
Smartgroup Corporation Limited

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During the financial year ended 30 June 2018, the Company had 562 transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2018 were \$841,733.

### 20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2018.

| Shareholders   | Ordinary shares held | % of issued shares |
|--|----------------------|--------------------|
| NAOS Asset Management Limited                              | 5,137,615            | 9.78%              |
| Jalinsons Pty Ltd  | 4,148,892            | 7.90%              |
| Jetosea Pty Ltd  | 2,396,403            | 4.56%              |
| Pershing Australia Nominees Pty Ltd                        | 1,510,909            | 2.88%              |
| Myall Resources Pty Ltd                                    | 1,213,392            | 2.31%              |
| Nivesa Pty Ltd   | 1,085,557            | 2.07%              |
| National Nominees Limited                                  | 1,021,000            | 1.94%              |
| Mr Victor John Plummer                                     | 750,000              | 1.43%              |
| Lonceta Pty Ltd  | 600,000              | 1.14%              |
| Gaseous Pty Ltd  | 576,876              | 1.10%              |
| Equitas Nominees Pty Ltd                                   | 525,669              | 1.00%              |
| Alex Land Pty Ltd  | 507,328              | 0.97%              |
| Vasnan Pty Ltd   | 437,500              | 0.83%              |
| Doecke Nominees Pty Ltd                                    | 400,000              | 0.76%              |
| DKL Investment Co Pty Ltd                                  | 350,000              | 0.67%              |
| R & G Holdings Pty Ltd                                     | 318,425              | 0.61%              |
| Mr Donald Gordon Mackenzie and Mrs Gwenneth Edna Mackenzie | 314,392              | 0.60%              |
| Wallbay Pty Ltd  | 300,000              | 0.57%              |
| Mr Lester Stewart Doecke and Mrs Karen Dawn Doecke         | 300,000              | 0.57%              |
| W W E Investments Pty Ltd                                  | 300,000              | 0.57%              |
| <b>Total</b>   | <b>22,193,958</b>    | <b>42.26%</b>      |

## ADDITIONAL INFORMATION

Continued

### SUBSTANTIAL SHAREHOLDERS

| Shareholders                  | Ordinary shares held | % of issued shares |
|-------------------------------|----------------------|--------------------|
| NAOS Asset Management Limited | 5,137,615            | 9.78%              |
| Jalinsons Pty Ltd             | 4,148,892            | 7.90%              |

### DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2018.

| Category         | Number of shareholders | Ordinary shares held | % of issued shares |
|------------------|------------------------|----------------------|--------------------|
| 1-1,000          | 55                     | 31,037               | 0.06%              |
| 1,001-5,000      | 143                    | 440,205              | 0.84%              |
| 5,001-10,000     | 126                    | 1,054,951            | 2.00%              |
| 10,001-100,000   | 543                    | 20,224,230           | 38.50%             |
| 100,001 and over | 76                     | 30,786,466           | 58.60%             |
| Totals           | 943                    | 52,536,889           | 100.00%            |

### VOTING RIGHTS

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

### ASX LISTING

Quotation has been granted for all Ordinary Shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

### BUY BACK

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

### UNMARKETABLE PARCELS

As at 31 July 2018, the number of shareholdings held in less than marketable parcels was 22.

### 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)  
Warwick Evans (Director)  
Sebastian Evans (Director)

### **COMPANY SECRETARY**

Rajiv Sharma

### **REGISTERED OFFICE**

Level 34, MLC Centre  
19 Martin Place  
Sydney NSW 2000  
Telephone: (02) 9002 1576

### **INVESTMENT MANAGER**

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

### **SHARE REGISTRY**

Boardroom Pty Limited  
Level 12, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Telephone: 1300 737 760  
Facsimile: 1300 653 459

### **AUDITOR**

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

