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NAOS ABSOLUTE OPPORTUNITIES  
COMPANY LIMITED

Annual Report 2017



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### Annual General Meeting

AGM to be held at 10.00am (AEDT) on Friday 10 November 2017 at Taylor Collison, Level 10, 167 Macquarie Street, Sydney NSW 2000

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

Our investment team will provide an update on our Listed Investment Companies (LICs): NAOS Emerging Opportunities Company Limited (ASX: NCC) and NAOS Absolute Opportunities Company Limited (ASX: NAC). 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 after the presentation at 12.00pm.

### Perth Monday 16 October 2017

11.00am-12.00pm  
Novotel Perth Langley  
Langley Room  
221 Adelaide Terrace  
Perth WA 6000

### Adelaide Wednesday 18 October 2017

11.00am-12.00pm  
Crowne Plaza Adelaide  
Hindmarsh 3  
16 Hindmarsh Square  
Adelaide SA 5000

### Brisbane Friday 20 October 2017

11.00am-12.00pm  
Customs House  
River Room  
399 Queen Street  
Brisbane QLD 4000

### Melbourne Tuesday 24 October 2017

11.00am-12.00pm  
The Westin  
Executive Room II  
205 Collins Street  
Melbourne VIC 3000

### Sydney Wednesday 25 October 2017

11.00am-12.00pm  
Museum of Sydney  
Warrane Theatre  
Cnr Phillip and Bridge Streets  
Sydney NSW 2000

### Canberra Thursday 26 October 2017

11.00am-12.00pm  
Hyatt Hotel  
Centenary 2  
120 Commonwealth Avenue  
Canberra ACT 2600

NAOS Absolute Opportunities Company Limited is a listed investment company and its shares are listed on the Australian Securities Exchange (ASX: NAC). We seek to create and protect investor capital whilst providing a stream of sustainable fully franked dividends. Portfolio construction is carried out in a benchmark unaware manner, resulting in the returns generated bearing a low correlation to that of broader investment markets.

**\$1.1m**

PROFIT FOR  
THE YEAR

**5c ▲**

FULLY FRANKED  
DIVIDEND  
(INCREASE 5.3%)

**831 ▲**

SHAREHOLDERS  
(INCREASE 88%)

**+8.14%**

TOTAL SHAREHOLDER  
RETURN (SHARE PRICE  
PLUS DIVIDEND)

## KEY METRICS AS AT 30 JUNE 2017

Pre-tax Net Tangible Assets	\$1.08
Post-tax Net Tangible Assets	\$1.07
Historical Fully Franked Dividend Yield:	4.83%
Fully Franked FY17 Dividend:	5 cents
Share Price:	\$1.035
Shares on Issue:	52,536,889
Directors Shareholding	6,693,760
Market Capitalisation:	\$54.4 million

## INVESTMENT PORTFOLIO PERFORMANCE AS AT 30 JUNE 2017

	1 Month	6 Month	1 Year	2 Year (p.a.)	Inception (p.a.)	Inception (Nom.)
NAC INVESTMENT PORTFOLIO PERFORMANCE*	+0.65%	-3.02%	+6.69%	+17.83%	+17.15%	+51.66%
BENCHMARK (RBA CASH RATE + 250bps)	+0.35%	+2.14%	+4.39%	+4.84%	+4.73%	+12.94%
OUTPERFORMANCE RELATIVE TO BENCHMARK	+0.30%	-5.16%	+2.30%	+12.99%	+12.42%	+38.72%

\*Performance shown is post all operating expenses but before fees and taxes. Inception date is 12 November 2014.



### SEBASTIAN EVANS

#### Director

Sebastian Evans has been a Director of the Company since inception (8 May 2014). Sebastian Evans is also a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC) and is Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management, the Investment Manager. Sebastian has been the CIO across both investment strategies since their respective inception dates.

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 (8 May 2014).

Warwick Evans has over 35 years of equity markets experience, most notably as Managing Director for Macquarie Equities (Globally) from 1991-2001 as well as being an Executive Director for Macquarie Group. He is also a Director of NAOS Emerging Opportunities Company Limited. 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 has been a Director and Chairman of the Company since inception (8 May 2014).

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

He is a former Director and Treasurer at Bush Heritage Australia, a Director of NAOS Emerging Opportunities Company Limited and a Consultant at Barra International.

David holds a Masters of Business Administration majoring in Accounting and Finance from the University of Queensland as well as two Bachelor degrees, one in Engineering (Civil and Structural) from the University of Sydney, and a Bachelor's degree in Science (Pure Mathematics and Geology).

Dear Fellow Shareholders,

Welcome to the 2017 Annual Report for the NAOS Absolute Opportunities Company Limited.

For the financial year ended 30 June 2017, the Company recorded an after-tax profit of \$1.08 million. The Company also paid a 5 cent fully franked dividend over this period, representing a 4.83% dividend yield and bringing with it the third consecutive year of dividend growth.



The Directors are mindful of protecting the Company's ability to continue to pay a sustainable stream of fully franked dividends over the long term, whilst also growing the Net Tangible Assets ('NTA') of the Company in a way that allows the Investment Manager to maximise the potential for future outperformance.

The total shareholder return ('TSR'), which includes share price growth and dividends paid, but not the benefits of franking credits, was +8.14% and notably was ahead of the investment portfolio performance, which increased by +6.69% over the financial year.

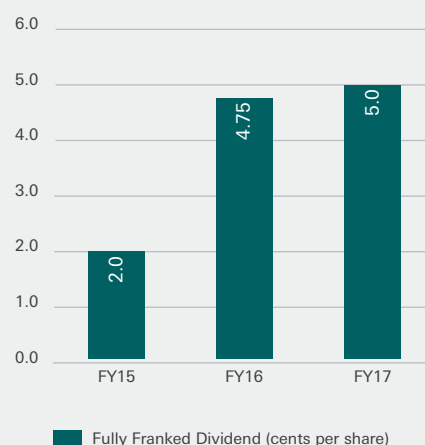
The NTA of the Company rose by \$24.24 million over the financial year, which was driven in the main by successful capital management initiatives. Firstly, over 98% of options issued at IPO were exercised prior to their expiry on 30 November 2016. The Company also raised \$10.5 million through a successful placement and Share Purchase Plan ('SPP') in March 2017. These initiatives have helped to scale the Company and provide benefits to all shareholders through improved liquidity via a wider shareholder base and with an increased market profile. It is important to note that the placement and SPP were completed at the post-tax NTA, which eliminated any potential dilution for existing shareholders. We would like to thank all option holders who exercised their holdings, and also all participants of the Share Placement and SPP for their ongoing support.

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 traditional equity managers. The Company also has the unique ability to selectively short sell what the Manager believes are low quality, overvalued businesses with unsustainable business models, therefore increasing the opportunity set and the potential for positive portfolio performance.

The Company continues to not only place a strong emphasis on sustainable performance together with 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. These initiatives include bi-annual investor roadshows in each capital city, monthly NTA reports, a monthly insights newsletter and quarterly shareholder calls. Pleasingly, this has translated into a number of new shareholders joining the share register, now totalling 831 at the end of FY2017 compared to 442 at the end of FY2016.

All Directors took advantage of the SPP and the dividend re-investment plan to increase their holdings throughout the financial year and now hold a cumulative 6.69 million shares, continuing to align our interests with our shareholders.

Fully Franked Dividends (cents per share)



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

The Board would also like to thank all our shareholders for their continued support and we warmly welcome all new shareholders who joined the Company over the financial year 2017.

A handwritten signature in dark ink, reading "David Rickards".

David Rickards  
Chairman  
24 August 2017





Dear Fellow Shareholders,

It is a pleasure to report to you on the performance of the portfolio for the financial year 2017 for NAOS Absolute Opportunities Company Limited ('NAC').

The end of financial year 2017 brought with it the close of the third financial year of operations of the NAC investment portfolio (FY2015 was approximately eight months due to the IPO in November 2014).

**"It is a core philosophy and belief at NAOS that to generate sustainable outperformance for our fellow shareholders, any permanent capital loss needs to be kept to an absolute minimum."**

The portfolio produced a positive annual return of +6.69%, post all operating expenses and pre-applicable fees and taxes, bringing the nominal inception return since IPO to 51.66%, or 17.15% p.a. Pleasingly, the NAC portfolio is also yet to register a negative financial year return in its short time of existence.

The All Ordinaries Accumulation Index ('XAOAI') produced a return of +13.12% for FY2017. What is apparent is that this positive result was mainly driven by the largest companies in the stock market, with the ASX100 Accumulation Index up +16.08% in the same period. When looking at the mid-cap universe (market capitalisation generally >\$250 million to <\$1 billion), there was significant market dispersion through the year. The market darlings of FY2016 were noticeable destroyers of shareholder wealth in FY2017 with the likes of Vita Group Limited (ASX: VTG) producing negative returns of -73%, Vocus Group Limited (ASX: VOC) -60% and RCG Corporation Ltd (ASX: RCG) -37% respectively.

The investment team found FY2017 to be of a more challenging nature compared to the prior two financial years. When breaking down the performance into contributors and detractors to the portfolio through the year, it is clear that performance was not sacrificed through poor stock selection that resulted in significant capital loss, but rather in the opportunity cost of holding a number of long positions that did not generate the performance that was expected.

It is a core philosophy and belief at NAOS that to generate sustainable outperformance for our fellow shareholders, any permanent capital loss needs to be kept to an absolute minimum. The remaining positions should continue to generate strong positive performance, which can then compound at a higher rate than would have been the case if there were a number of significant negative detractors. Pleasingly, FY2017 continued to demonstrate the ability of the investment team to minimise any permanent capital loss, with the bottom three detractors to overall performance detracting just -2.00%, -1.50% and -1.00% over the course of the year.

When reflecting on the year that has just passed the investment team has once again made a number of key learnings. The mid-cap space operates as a far more efficient market than the small/microcap market, with a greater number of (larger) fund managers competing for outperformance. This heightens the necessity for high conviction decisions and highlights the importance of timing in the entry/exit points of our investments to ensure we maximise portfolio performance throughout the year. Frustratingly a few key short positions were closed prior to significant price deterioration due to earnings downgrades or significant industry headwinds and deteriorating balance sheets. The key takeaway for us is that even though our short positions are catalyst driven, there are times where more patience is required – an attribute we preach in our long portfolio.

# +6.69%

FY17 PORTFOLIO RETURN

# +51.66%

PORTFOLIO RETURN  
SINCE INCEPTION

There were a number of positive contributors within the NAC investment portfolio; these positions were core holdings and have been held within the portfolio for a reasonable period of time. These investments included Elders Limited (ASX: ELD), Gentrack Group Limited (ASX: GTK) and BSA Limited (ASX: BSA). We also believe that a lot of progress was made by other key positions, but this is yet to be reflected in their respective share prices due to the vagaries of stock market movements.

Clearly the sharp price volatility within the mid-cap universe over the past year has had its share of negative ramifications. What is also not as obvious are the increasing amount of opportunities that have arisen as a result. A small number of companies that have proven business models, highly regarded management teams and strong balance sheets have also been sold off aggressively over the past 12 months. Such examples include iSentia (ASX: ISD) and Pacific Smiles Group (ASX: PSQ). Both of these companies have unique attributes; in the case of ISD

it is the dominant player and clear market leader in the media monitoring industry and is led by a managing director who has led the business for over 18 years, whereas Pacific Smiles is a business that is growing its dental practice footprint by in excess of 10 practices per year, all funded through free cash flow, whilst maintaining a high dividend payout ratio. What both of these companies have in common is that they were considered high growth businesses with predictable earnings profiles. Today they are considered low growth value opportunities with earnings profiles that are a little more ambiguous. Much can change over a 12-month period and even more can change over 36 months. If either of these businesses can return to sustainable growth, even at a lower rate than they previously experienced, they will command a much higher valuation than they do today; and through dividends, earnings growth and multiple expansion they may provide excellent total returns over the long term.

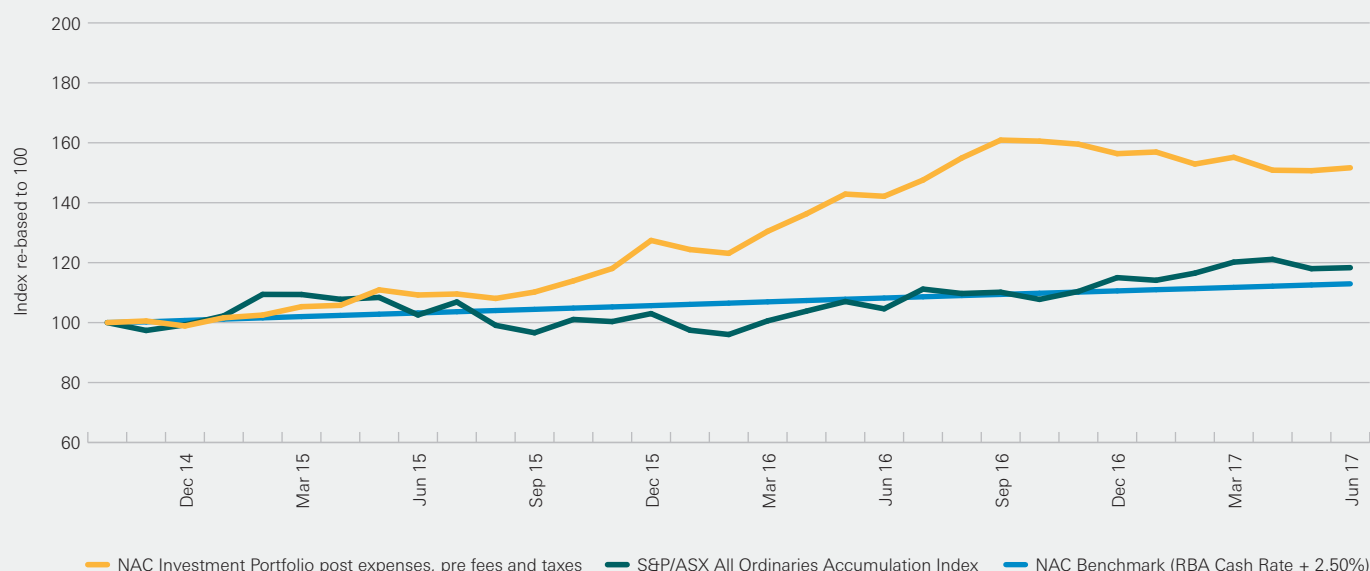
I would like to thank all our shareholders for their continued support over the past 12 months. The team at NAOS Asset Management continues to grow; we now have 10 team members, nine of which are full-time. We continue to reinvest into our business so we can provide the shareholders of NAC an industry leading LIC, that delivers on its investment objectives and is clear and transparent in its communications with current and potential shareholders.

We encourage investor feedback. Please contact the team with any suggestions or comments you may have. Thank you again for your support and I look forward to updating you on the progress of the portfolio at our bi-annual national investor roadshow in October.



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

## NAC INVESTMENT PORTFOLIO PERFORMANCE SINCE INCEPTION



The investment manager of the NAOS Absolute Opportunities Company is NAOS Asset Management Limited (NAOS). NAOS was established in 2005 and focuses on providing investors with unique product offerings, in asset classes and sub-sectors where they often lack the time, resources or expertise to research and invest themselves. NAOS adopts a high conviction, long term, value driven approach to investing.

Our investment team look to realise value over the long term by sourcing, selecting and combining investment opportunities that present the greatest opportunity for shareholders to realise positive absolute returns in the form of capital growth and income generation over the long term.

All NAOS investment products have an absolute return focus. As such, the investment team place a primary focus on mitigating the permanent loss of capital and assessing each investment opportunity on the basis of its potential for long-term value add in the portfolio.



### OUR INVESTMENT BELIEFS

At NAOS, we believe success is achieving returns for our shareholders, over a 3-5 year period, better than and without correlation to the broader market with less risk of permanent capital loss. We see value in the sharing of ideas with our investment community via open and transparent communication with our shareholders to ensure investors are able to make informed decisions.

### VALUE FOCUSED

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 for the contrarian investor to act based purely on the long-term value proposition where the majority may lose patience and move on.



### 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 0-25.



### 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 longer term. If our investment thesis holds true we persist with the investment. Many of our core investments can be held for 3-5 years or more where management execution has been consistent and the value proposition is clear.



### MANAGEMENT ALIGNMENT

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. We believe ownership of shares is the most transparent and pure alignment a management team can have with other shareholders. At NAOS, Directors and staff members own more than 15% of shares on issue across our strategies; the interests of our shareholders are well aligned with our own.



### IGNORE THE INDEX

Ignoring the index means we are not forced holders of stocks with large benchmark/index weightings that are not attractive investment propositions, from both a risk and return perspective. 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 five large banks and two major mining companies making up 40% of the ASX100 by market capitalisation, many Australian equity investors are at risk of being overexposed to these two sectors and may be missing out on opportunities to invest in quality companies in industries such as Media, Advertising, Agriculture or Building Materials. Industrial companies with a market capitalisation generally between \$10 million and \$1 billion are our core focus, and we believe the LICs we manage provide pure access to these companies which are potentially less well known by the broader investment community.



### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We firmly believe that the sustainability of any investment has a direct link to the company's philosophy and activities in relation to both environmental and social impact. NAOS applies a specific investment policy for each of its investment strategies; factors which are analysed that affect our investment decision include environmental impact, labour policies, governance, philanthropic activities, social impact, human rights and waste.

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



## 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 over 10 years' experience in financial markets and prior to joining NAOS he held various roles within the Financial Services Industry including roles at Macquarie Bank and most recently with Moelis and Company. Ben holds a Bachelor of Commerce, majoring in Accounting from the University of South Australia.



### JEFFREY KIM

#### Portfolio Manager

Jeffrey joined NAOS in August 2009 as an Investment Analyst and is now a Portfolio Manager.

Prior to joining the Firm, Jeffrey completed his double degree in Applied Finance and Accounting from Macquarie University.



### ROBERT MILLER

#### Portfolio Manager

Robert Miller has been with NAOS since September 2009 working with the investment team as an Investment Analyst and now Portfolio Manager.

Robert has completed his Bachelor's Degree in Business from the University of Technology Sydney, as well as completing his Masters of Applied Finance from the Financial Services Institute of Australasia.



### RICHARD PREEDY

#### Chief Financial and Operating Officer

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



### JULIA STANISTREET

#### Business Development Manager

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

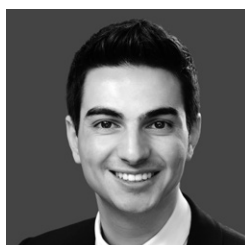


### MEGAN WALKER

#### Marketing and Communications Manager

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

Prior to joining NAOS, Megan gained over 4 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.



### CHADD KNIGHTS

#### Associate Analyst

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



### 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 NSW and the High Court of Australia.



### JULIE COVENTRY

#### Compliance Officer


Julie joined NAOS in November 2012 as Compliance Officer.

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

### **CORPORATE GOVERNANCE**

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

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



Our objective seeks  
to provide investors with  
concentrated exposure  
to undervalued mid-cap  
companies with an  
industrial bias.



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## DIRECTORS' REPORT

The Directors of NAOS Absolute Opportunities Company Limited ACN 169 448 837 ("the Company"), submit their report for the Company for the year ended 30 June 2017.

### COMPANY INFORMATION

The Company is a listed investment company ("LIC") and its shares are listed on the Australian Stock 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. The Company can invest in unlisted instruments from time to time.

### 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 is 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 2017.

	Year ended 30 June 2017	
	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 2017 Relevant interests (Shares)	30 June 2016 Relevant interests (Shares)
Mr David Rickards (Chairman)	499,632	465,087
Mr Warwick Evans (Director)	1,259,832	884,966
Mr Sebastian Evans (Director)	4,934,296	1,346,275

### INTERESTS IN OPTIONS OF THE COMPANY

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

	30 June 2017 Relevant interests (Options)	30 June 2016 Relevant interests (Options)
Mr David Rickards (Chairman)	–	–
Mr Warwick Evans (Director)	–	275,000
Mr Sebastian Evans (Director)	–	1,822,189

All options expired on 30 November 2016.

## DIRECTORS' REPORT

Continued

### OTHER DIRECTORSHIPS

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

Sebastian Evans and Warwick Evans are currently Directors of NAOS Asset Management Limited (the "Investment Manager").

### 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 30 June 2017 \$	Year ended 30 June 2016 \$
Profit before income tax	680,182	5,106,230
Income tax benefit/(expense)	402,172	(1,228,861)
Profit for the period	1,082,354	3,877,369
Profit for the period attributable to shareholders	1,082,354	3,877,369

#### Dividends Paid or Payable

Year ended 30 June 2017

	Dividend rate (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
		2,335,724		

Year ended 30 June 2016	Dividend rate (cents per share)	Total \$ amount	% Franked	Date of payment
2015 final dividend (declared 28 August 2015)	2.00	430,000	100%	13 November 2015
2016 interim dividend (declared 17 February 2016)	2.25	515,081	100%	12 May 2016
		945,081		

Since 30 June 2017, the Board has declared a final dividend of 2.5 cents per share, fully franked, to be paid on 8 November 2017.



**Financial Position**

The net asset value of the Company as at 30 June 2017 was \$56,318,457 (2016: \$32,082,388). 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**

On 24 August 2017, the Company declared a fully franked dividend of 2.5 cents per share.

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

**Likely Developments**

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

**Environmental Regulation and Performance**

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

**Indemnification of Directors, Officers and Auditors**

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

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

## DIRECTORS' REPORT

Continued

### REMUNERATION REPORT

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

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

#### 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 2017 and 30 June 2016 is disclosed below:

	Short-term employee benefits Directors' fees \$	Post- employment benefit Superannuation \$	Total
<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>

	Short-term employee benefits Directors' fees \$	Post- employment benefit Superannuation \$	Total
<b>30 June 2016</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 Director's remuneration from the Company.

During the year ended 30 June 2017 and the year ended 30 June 2016, the relevant interests of the Directors and their related parties in the shares of the Company were:

Ordinary shares Year ended 30 June 2017	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance 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

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

Options Year ended 30 June 2017	Opening balance No of options	Acquired No of options	Exercised No of options	Closing balance No of options
Mr David Rickards (Chairman)	–	–	–	–
Mr Warwick Evans (Director)	275,000	–	(275,000)	–
Mr Sebastian Evans (Director)	1,822,189	–	(1,822,189)	–

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

\*5,375,000 escrowed.

## NON-AUDIT SERVICES

No non-audit services were provided during the period. 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 16. This Directors' Report is signed in accordance with a resolution of Directors of the Company made pursuant to Section 298 (2) of the Corporations Act 2001.



Sebastian Evans  
Director  
24 August 2017





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

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

24 August 2017

Dear Directors,

**NAOS Absolute 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 Absolute Opportunities Company Limited.

As lead audit partner for the audit of the financial statements of NAOS Absolute Opportunities Company Limited for the financial year ended 30 June 2017, 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

A handwritten signature in black ink, appearing to read "Stuart Alexander".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Stuart Alexander".

Stuart Alexander  
Partner  
Chartered Accountants



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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of NAOS Absolute Opportunities Company Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, 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 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 2017 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>Valuation and existence of financial assets and liabilities held at fair value through profit or loss</b></p> <p>As at 30 June 2017, the Company's financial assets and liabilities held at fair value through profit or loss amounted to \$54.8 million and \$5.3 million, respectively 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 and liabilities 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 custodians' 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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### *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 2017, 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 directors either intend to liquidate the Company or to cease operations, or has 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 14 to 15 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of NAOS Absolute Opportunities Company Limited, for the year ended 30 June 2017, 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



Stuart Alexander  
Partner  
Chartered Accountants  
Sydney, 24 August 2017

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Income	3	2,247,250	7,597,277
<b>Expenses</b>			
Management fees	15	(897,698)	(467,283)
Performance fees	15	–	(1,042,746)
Dividend expense on short sales		(76,077)	(157,183)
Prime broker and custody fees		(155,736)	(264,742)
Administration fees		(53,851)	(39,804)
Directors' remuneration		(40,000)	(40,000)
Australian stock exchange fees		(76,079)	(32,500)
Auditor's remuneration		(36,000)	(34,500)
Registry fees		(61,684)	(26,434)
Company secretarial fees		(27,926)	(27,925)
Interest expense		(9,126)	(229,712)
Other expenses		(132,891)	(128,218)
<b>Profit before income tax expense</b>		<b>680,182</b>	<b>5,106,230</b>
Income tax benefit/(expense)	4	402,172	(1,228,861)
<b>Profit for the year attributable to shareholders of the Company</b>		<b>1,082,354</b>	<b>3,877,369</b>
Other comprehensive income		–	–
<b>Total comprehensive income for the year attributable to shareholders of the Company</b>		<b>1,082,354</b>	<b>3,877,369</b>
<b>Basic and diluted earnings per share (cents per share)</b>	17	<b>2.59</b>	<b>17.34</b>

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	As at 30 June 2017 \$	As at 30 June 2016 \$
<b>Assets</b>			
Cash and cash equivalents	12(a)	5,403,270	2,169,251
Trade and other receivables	6	2,351,609	8,227,271
Financial assets at fair value through profit or loss	7(a)	54,796,849	30,810,244
Deferred tax assets	4(b)	942,664	353,048
<b>Total assets</b>		<b>63,494,392</b>	<b>41,559,814</b>
<b>Liabilities</b>			
Bank overdraft	12(b)	7,660	2,058,807
Trade and other payables	8	579,769	3,708,717
Financial liabilities at fair value through profit or loss	7(b)	5,348,331	2,140,670
Provision for income tax		–	451,731
Deferred tax liabilities	4(c)	1,240,175	1,117,501
<b>Total liabilities</b>		<b>7,175,935</b>	<b>9,477,426</b>
<b>Net assets</b>		<b>56,318,457</b>	<b>32,082,388</b>
<b>Equity</b>			
Issued capital – Ordinary shares	9	53,528,189	26,740,114
Share option reserve	10(c)	–	1,298,636
Accumulated losses	10(b)	(1,004,927)	–
Profits reserve	10(d)	3,795,195	4,043,638
<b>Total equity</b>		<b>56,318,457</b>	<b>32,082,388</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 2017**

	Issued capital \$	Share option reserve \$	Accumulated losses \$	Retained earnings \$	Profits reserve \$	Total \$
Balance at 1 July 2015	19,633,800	1,866,200	–	1,111,350	–	22,611,350
Profit for the year	–	–	–	3,877,369	–	3,877,369
Other comprehensive income for the year	–	–	–	–	–	–
Shares issued during the year	–	–	–	–	–	–
Transfer to profits reserve	–	–	–	(4,988,719)	4,988,719	–
Dividends paid	–	–	–	–	(945,081)	(945,081)
Dividend reinvestment on market shares	190,369	–	–	–	–	190,369
Purchase of shares on market for DRP	(190,369)	–	–	–	–	(190,369)
Share options exercised	6,538,750	–	–	–	–	6,538,750
Transfer from share option reserve	567,564	(567,564)	–	–	–	–
Balance at 30 June 2016	26,740,114	1,298,636	–	–	4,043,638	32,082,388
Balance at 1 July 2016	26,740,114	1,298,636	–	–	4,043,638	32,082,388
Accumulated loss for the year	–	–	(1,004,927)	–	–	(1,004,927)
Profit for the year	–	–	–	2,087,281	–	2,087,281
Other comprehensive income for the year	–	–	–	–	–	–
Shares issued during the year	10,540,229	–	–	–	–	10,540,229
Share placement fees (net of tax)	(151,132)	–	–	–	–	(151,132)
Transfer to profits reserve	–	–	–	(2,087,281)	2,087,281	–
Dividend paid	–	–	–	–	(2,335,724)	(2,335,724)
Shares issued under dividend reinvestment plan	139,092	–	–	–	–	139,092
Dividend reinvestment on market shares	175,650	–	–	–	–	175,650
Purchase of shares on market for dividend reinvestment plan	(175,650)	–	–	–	–	(175,650)
Share options exercised	14,961,250	–	–	–	–	14,961,250
Transfer from share option reserve	1,298,636	(1,298,636)	–	–	–	–
Balance at 30 June 2017	53,528,189	–	(1,004,927)	–	3,795,195	56,318,457

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 2017**

	Note	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
<b>Cash flows from operating activities</b>			
Dividends received		2,158,129	1,226,190
Dividends paid – short sales		(76,077)	(221,878)
Interest received		72,202	249,274
Interest paid		(20,715)	(225,862)
Management fees paid		(861,913)	(448,903)
Performance fees paid		(1,119,044)	(148,658)
Directors' remuneration paid		(39,000)	(40,000)
Income tax paid		(336,180)	(849,492)
Administration and tax service fee paid		(59,102)	(41,683)
ASX fees paid		(76,079)	(5,033)
Audit fees paid		(37,009)	(34,812)
Prime broker and custody fees paid		(156,469)	(256,639)
Registry service fees paid		(61,444)	(27,303)
Company secretarial fees paid		(27,926)	(27,925)
Other payments		(59,531)	(226,316)
<b>Net cash used in operating activities</b>	12(b)	<b>(700,158)</b>	<b>(1,079,040)</b>
<b>Cash flows from investing activities</b>			
Payments from purchase of investments		(173,647,180)	(153,481,824)
Proceeds from sale of investments		156,566,319	144,992,706
<b>Net cash used in investing activities</b>		<b>(17,080,861)</b>	<b>(8,489,118)</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		(175,650)	(190,369)
Dividends paid		(2,043,742)	(705,100)
Receipts from option exercise		(14,961,250)	6,538,750
<b>Net cash provided by financing activities</b>		<b>23,066,185</b>	<b>5,643,281</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,285,166</b>	<b>(3,924,877)</b>
Cash and cash equivalents at the beginning of the year*		110,444	4,035,321
<b>Cash and cash equivalents at the end of the year*</b>	12(a)	<b>5,395,610</b>	<b>110,444</b>
<b>Non-cash activities – Dividend reinvestment</b>		<b>139,092</b>	<b>190,369</b>

\*Includes bank overdraft.

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

## GENERAL INFORMATION

NAOS Absolute Opportunities Company Limited (the "Company") is a public company listed on the Australian Securities Exchange (ASX: NAC) registered and domiciled in Australia. The Company was constituted on 8 May 2014 and commenced operations on 12 November 2014.

The registered office and principal place of business of the Company is Level 34, MLC Centre, 19 Martin Place, Sydney NSW 2000.

NAOS Asset Management Limited (the "Investment Manager") is the investment manager for the Company. The financial statements were authorised for issue by the Directors on 24 August 2017.

## 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 (the "IASB").

### d) Reporting Currency

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

### e) Going Concern Basis

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

## f) Revenue and Income Recognition

### Revenue

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

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

### Dividends

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

### Interest Income

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

### 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 makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss. 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.

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

#### (ii) Recognition/derecognition

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

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

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

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

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

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

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

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

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

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

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

## 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) Share Option Reserve

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

All options were exercised by the expiration date (30 November 2016).

## 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 circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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



## 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2016 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 16 "Leases"	1 January 2019	30 June 2020
Clarifications to IFRS 15 "Revenue from Contracts with Customers"	1 January 2018	30 June 2019
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 "Revenue from Contracts with Customers"	1 January 2017	30 June 2018
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018

The potential effect of these standards on the Company's financial statements has not yet been determined. However, based on the Company's preliminary assessment, the above Standards and Interpretations are not expected to have a material impact on the amounts recognised in these financial statements. There are no other Standards and Interpretations that are not yet effective and that are expected to have a material impact on the Company during the current or future reporting periods.

## 3. INCOME

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Gains on financial instruments held at fair value through profit or loss	452,526	5,681,946
Interest income	75,175	249,274
Dividend income	1,719,549	1,666,057
	<b>2,247,250</b>	<b>7,597,277</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 30 June 2017 \$	Year ended 30 June 2016 \$
Prima facie income tax expense calculated at 30%	204,055	1,531,869
Imputation credit gross up	259,703	129,572
Franking credit offset	(865,678)	(431,906)
Other non-assessable items	(252)	(674)
	<b>(402,172)</b>	<b>1,228,861</b>
Effective tax rate	0%	24%

## NOTES TO THE FINANCIAL STATEMENTS

Continued

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
<b>Total Income tax expense/(benefit) results in a:</b>		
Current tax liability	–	461,060
Change in deferred tax liability	122,674	1,035,696
Change in deferred tax asset*	(524,846)	(267,895)
	<b>(402,172)</b>	<b>1,228,861</b>

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

### b) Deferred Tax Asset

	As at 30 June 2017 \$	As at 30 June 2016 \$
Tax losses including franking credits	875,334	–
Other temporary differences in relation to future deductible liabilities	2,560	353,048
Capitalised share issue costs	64,770	–
	<b>942,664</b>	<b>353,048</b>

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
<b>Movement in deferred tax assets</b>		
Balance at the beginning of the period	353,048	85,432
Credited/(charged) to the Statement of Profit or Loss and Other Comprehensive Income	524,846	267,616
Capitalised share issue costs (Deferred tax asset on placement fee)	64,770	–
<b>At reporting date</b>	<b>942,664</b>	<b>353,048</b>

### c) Deferred Tax Liability

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Fair value adjustments	1,240,175	1,117,501
<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	1,117,501	82,084
Credited/(charged) to the Statement of Profit or Loss and Other Comprehensive Income	122,674	1,035,417
<b>At reporting date</b>	<b>1,240,175</b>	<b>1,117,501</b>

## 5. DIVIDEND PAID AND PAYABLE

Year ended 30 June 2017	Dividend rate (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
		2,335,724		
Year ended 30 June 2016	Dividend rate (cents per share)	Total amount (\$)	% Franked	Date of payment
2015 final dividend (declared 28 August 2015)	2.00	430,000	100%	13 November 2015
2016 interim dividend (declared 17 February 2016)	2.25	515,081	100%	12 May 2016
		945,081		

As at 30 June 2017, the outstanding dividend payable was \$26,853 (30 June 2016: \$49,612).

### Dividend Franking Information

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Franking credits available for shareholders from previous financial periods	1,163,186	94,316
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	–	197,400
Impact on the franking account of dividends paid during the period	(1,001,025)	(405,035)
Impact on the franking account of dividends received during the period	668,278	427,013
Impact on franking account of income tax paid/payable	334,394	849,492
Adjusted franking account balance	1,164,833	1,163,186

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 30 June 2017 \$	As at 30 June 2016 \$
Dividend receivable	24,800	468,413
GST receivable	57,428	115,468
Other receivables	10,512	2,506
Receivable from investments sold	1,856,312	6,359,410
Prepaid expenses	68,163	72,339
Income tax paid in advance	334,394	449,945
Spot Fx Receivable	–	759,190
	2,351,609	8,227,271

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 (2016: nil).

## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 7. INVESTMENTS IN FINANCIAL INSTRUMENTS

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

	As at 30 June 2017 \$	As at 30 June 2016 \$
Investment in listed equity securities	54,796,849	29,385,814
Investment in listed corporate bonds	–	1,424,430
<b>Total financial assets at fair value through profit or loss</b>	<b>54,796,849</b>	<b>30,810,244</b>

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

	As at 30 June 2017 \$	As at 30 June 2016 \$
Investment in listed equity securities – short sales	5,348,331	2,140,670
<b>Total financial liabilities at fair value through profit or loss</b>	<b>5,348,331</b>	<b>2,140,670</b>

#### *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 30 June 2017 \$	As at 30 June 2016 \$
Auditors' remuneration payable	17,594	18,603
Management fees payable	90,957	55,172
Unsettled trades payable	397,727	1,654,760
Performance fees payable	–	1,119,044
Spot Fx Payable	–	759,699
Other payables	73,491	101,439
<b>Total</b>	<b>579,769</b>	<b>3,708,717</b>

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 2017		30 June 2016	
	No of shares	\$	No of shares	\$
Issued and paid up capital – Ordinary shares	52,536,889	53,528,189	28,038,750	26,740,114

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:

- (a) 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;
- (b) 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);
- (c) the right to receive dividends;
- (d) 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
- (e) subject to the Corporations Act 2001 and the ASX Listing Rules, shares are fully transferable.

### Movements in Ordinary Share Capital

Date	Details	No of shares	Issue price \$	\$
01 July 2015	Opening balance	21,500,000		19,633,800
	Share option exercise	6,538,750	1.000	6,538,750
	Dividend reinvestment on market shares	193,097		190,369
	Purchase of shares on market for Dividend Reinvestment Plan	(193,097)		(190,369)
	Share option reserve	–		567,564
30 June 2016	Closing balance	28,038,750		26,740,114
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	Closing balance	52,536,889		53,528,189



## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 10. RESERVES

#### a) Retained Earnings

	As at 30 June 2017 \$	As at 30 June 2016 \$
Opening balance	–	1,111,350
Net profit attributable to shareholders of the Company	2,087,281	3,877,369
Transfer to profits reserve	(2,087,281)	(4,988,719)
Closing balance	–	–

#### b) Accumulated Losses

	As at 30 June 2017 \$	As at 30 June 2016 \$
Opening balance	–	–
Net accumulated losses attributable to shareholders of the Company	(1,004,927)	–
Closing balance	(1,004,927)	–

During the half year period to 30 June 2017, the Company recorded accumulated losses of \$1,004,927 (2016: \$ nil).

#### c) Share Option Reserve

The fully paid ordinary shares were issued with 3 attaching options for every 4 shares subscribed. The options expired on 30 November 2016.

The movement in the share option reserve is detailed below:

	As at 30 June 2017 \$	As at 30 June 2016 \$
Opening balance	1,298,636	1,866,200
Share option exercise	(1,298,636)	(567,564)
Closing balance	–	1,298,636

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

	As at 30 June 2017 No of options	As at 30 June 2016 No of options
Opening balance	14,961,250	21,500,000
Exercise of options	(14,961,250)	(6,538,750)
Closing balance	–	14,961,250

#### d) Profits Reserve

	As at 30 June 2017 \$	As at 30 June 2016 \$
Opening balance	4,043,638	–
Transfer from Retained Earnings	2,087,281	4,988,719
Dividends paid	(2,335,724)	(945,081)
Balance at the end of the year	3,795,195	4,043,638

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

## 11. AUDITOR'S REMUNERATION

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

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Deloitte Touche Tohmatsu – audit and review of the financial reports	36,000	34,500
<b>Total audit fee expense</b>	<b>36,000</b>	<b>34,500</b>

## 12. CASH AND CASH EQUIVALENTS

### a) Components of Cash and Cash Equivalents

	As at 30 June 2017 \$	As at 30 June 2016 \$
Cash at banks	5,403,270	2,169,251
Bank overdraft	(7,660)	(2,058,807)
	<b>5,395,610</b>	<b>110,444</b>

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

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
Profit for the period attributable to shareholders after tax	1,082,354	3,877,369
Adjustments for:		
Change in value of financial assets designated at fair value through profit or loss	(452,526)	(5,681,946)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	(402,172)	1,228,861
Income tax paid	(336,180)	(849,492)
Change in assets and liabilities:		
Decrease/(increase) in trade and other receivables	497,823	(503,540)
(Decrease)/increase in trade and other payables	(1,089,457)	849,708
<b>Net cash used in operating activities</b>	<b>(700,158)</b>	<b>(1,079,040)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 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 2017 was \$40,000 (2016: \$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 Year ended 30 June 2017	Opening balance No of shares	Acquired No of shares	Sold No of shares	Closing balance 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

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

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

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

Options Year ended 30 June 2017	Opening balance No of options	Acquired No of options	Exercised No of options	Closing balance No of options
Mr David Rickards (Chairman)	–	–	–	–
Mr Warwick Evans (Director)	275,000	–	(275,000)	–
Mr Sebastian Evans (Director)	1,822,189	–	(1,822,189)	–

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

\* 5,375,000 escrowed.

#### c) Other Transactions within the Company

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

### 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.

## 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 2017:

- Management fees of \$897,698 (2016: \$467,283) (excluding RITC\*) were incurred during the year.
- Management fees payable at 30 June 2017 were \$90,957 (2016: \$55,172) (including RITC\*).

### Performance Fees

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

The following performance fees were paid or payable to the Investment Manager during the year ended 30 June 2017:

- Performance fees of \$ nil (2016: \$1,042,746) (excluding RITC\*) were incurred during the year.
- Performance fees payable at 30 June 2017 were \$ nil (2016: \$1,119,044) (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 an obligation to a financial instrument. In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their contractual obligations.

This risk may be minimised by:

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

#### *(i) Settlement of securities transactions*

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

#### *(ii) Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is low as all counterparties, (National Australia Bank, Australian Executor Trustees, Deutsche Bank) have a rating of "A" or higher.

#### *(iii) Other*

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

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are considered to be impaired or past due.

## NOTES TO THE FINANCIAL STATEMENTS

Continued

### 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) Currency Risk

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

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

	AUD	EUR	GBP	HKD	NZD	USD	Total
<b>30 June 2017</b>							
<b>Assets (in AUD)</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
Deferred tax assets	942,664	–	–	–	–	–	942,664
<b>Total assets</b>	<b>63,494,392</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63,494,392</b>
<b>Liabilities (in AUD)</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
Provision for income tax	–	–	–	–	–	–	–
Deferred tax liabilities	1,240,175	–	–	–	–	–	1,240,175
<b>Total liabilities</b>	<b>7,168,275</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,660</b>	<b>7,175,935</b>
<b>Net exposure</b>	<b>56,326,117</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7,660)</b>	<b>56,318,457</b>
	AUD	EUR	GBP	HKD	NZD	USD	Total
<b>30 June 2016</b>							
<b>Assets (in AUD)</b>							
Cash and cash equivalents	1,480,605	–	–	–	382	688,265	2,169,251
Trade and other receivables	8,226,567	–	703	–	–	–	8,227,271
Financial assets at fair value through profit or loss	30,810,244	–	–	–	–	–	30,810,244
Deferred tax assets	353,048	–	–	–	–	–	353,048
<b>Total assets</b>	<b>40,870,464</b>	<b>–</b>	<b>703</b>	<b>–</b>	<b>382</b>	<b>688,265</b>	<b>41,559,814</b>
<b>Liabilities (in AUD)</b>							
Bank overdraft	2,058,807	–	–	–	–	–	2,058,807
Trade and other payables	2,928,595	282	356	11	–	779,473	3,708,717
Financial liabilities at fair value through profit or loss	2,140,670	–	–	–	–	–	2,140,670
Provision for income tax	451,731	–	–	–	–	–	451,731
Deferred tax liabilities	1,117,501	–	–	–	–	–	1,117,501
<b>Total liabilities</b>	<b>8,697,304</b>	<b>282</b>	<b>356</b>	<b>11</b>	<b>–</b>	<b>779,473</b>	<b>9,477,426</b>
<b>Net exposure</b>	<b>32,173,160</b>	<b>(282)</b>	<b>347</b>	<b>(11)</b>	<b>382</b>	<b>(91,208)</b>	<b>32,082,388</b>

## b) Market Risk (continued)

### (i) Currency Risk (continued)

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

	Change in foreign exchange rate increase/(decrease)	Effect on net profit and net assets attributable to unitholders \$
<b>Year ended 30 June 2017</b>		
USD/AUD	20%/(20%)	(1,532)/1,532
<b>Year ended 30 June 2016</b>		
EUR/AUD	20%/(20%)	(56)/56
GBP/AUD	20%/(20%)	69/(69)
HKD/AUD	20%/(20%)	(2)/2
NZD/AUD	20%/(20%)	76/(76)
USD/AUD	20%/(20%)	(18,242)/18,242

### (ii) Interest Rate Risk

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

	Floating interest rate \$	Non-interest bearing \$	Total \$
<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>
<b>30 June 2016</b>			
<b>Assets</b>			
Cash and cash equivalents	2,169,251	–	2,169,251
Trade and other receivables	–	8,227,271	8,227,271
Financial assets at fair value through profit or loss	1,424,430	29,385,814	30,810,244
<b>Total assets</b>	<b>3,593,681</b>	<b>37,613,085</b>	<b>41,206,766</b>
<b>Liabilities</b>			
Bank overdraft	2,058,807	–	2,058,807
Trade and other payables	–	3,708,717	3,708,717
Financial liabilities at fair value through profit or loss	–	2,140,670	2,140,670
<b>Total liabilities</b>	<b>2,058,807</b>	<b>5,849,387</b>	<b>7,908,194</b>
<b>Net exposure</b>	<b>1,534,874</b>	<b>31,763,698</b>	<b>33,298,572</b>



## NOTES TO THE FINANCIAL STATEMENTS

Continued

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

#### b) Market Risk (continued)

##### (ii) Interest Rate Risk (continued)

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

	Change in basis points increase/(decrease)	Impact on operating profit/Net assets attributable to shareholders \$
30 June 2017		
AUD interest rate	25bps/(25bps)	13,489/(13,489)
30 June 2016		
AUD interest rate	25bps/(25bps)	3,837/(3,837)

##### (iii) Price Risk

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

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

	Impact on operating profit/Net assets attributable to shareholders	
	-10% \$	10% \$
30 June 2017	(4,944,852)	4,944,852
30 June 2016	(2,866,957)	2,866,957

##### (iv) Other Price Risk

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

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

Industry	% of Portfolio	
	30 June 2017	30 June 2016
Financial Service	21.27%	–
Commercial Services and Supplies	20.44%	14.02%
Media	19.09%	27.87%
Telecommunication Services	16.52%	19.00%
Software and Services	14.20%	4.29%
Materials	5.08%	3.58%
Food and Beverage	2.16%	13.45%
Capital Goods	2.03%	1.44%
Healthcare	1.85%	3.59%
Transportation	–	6.38%
Other	–	6.91%
Pharmaceuticals, Biotechnology and Life Sciences	(2.64%)	–
Consumer Services	–	(0.53%)
	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 2017 to the contractual maturity date.

	30 June 2017				Total \$
	On demand \$	< 1 month \$	1-12 months \$	> 12 months \$	
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>	<b>–</b>	<b>587,429</b>	<b>5,348,331</b>	<b>–</b>	<b>5,935,760</b>

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

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. Below is an analysis of the financial instruments of the Company.

##### Level 1:

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

##### Level 2:

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

##### Level 3:

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

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

The following table shows an analysis of financial instruments held at 30 June 2017, recorded at fair value and presented by level of the fair value hierarchy:

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

30 June 2017				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in listed equity securities	54,796,849	–	–	54,796,849
Investment in listed unit trust	–	–	–	–
<b>Total financial assets designated at fair value through profit or loss</b>	<b>54,796,849</b>	<b>–</b>	<b>–</b>	<b>54,796,849</b>
30 June 2016				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in listed equity securities	29,385,814	–	–	29,385,814
Investment in listed corporate bonds	1,424,430	–	–	1,424,430
<b>Total financial assets designated at fair value through profit or loss</b>	<b>30,810,244</b>	<b>–</b>	<b>–</b>	<b>30,810,244</b>

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

30 June 2017				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Investment in listed equity securities – short sales	5,348,331	–	–	5,348,331
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>5,348,331</b>	<b>–</b>	<b>–</b>	<b>5,348,331</b>
30 June 2016				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Investment in listed equity securities – short sales	2,140,670	–	–	2,140,670
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>2,140,670</b>	<b>–</b>	<b>–</b>	<b>2,140,670</b>

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

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

##### Level 1

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 30 June 2017 the Company had \$54,796,849 (2016: \$30,810,244) financial assets held at fair value through profit or loss included in level 1. As at 30 June 2017 the Company also had \$5,348,331 (2016: \$2,140,670) financial liabilities held at fair value through profit or loss included in level 1.

##### Level 2

The fair value of financial instruments that are not traded in an active market (for example, CFDs) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2017 the Company had \$ nil (2016: \$ nil) financial liabilities in level 2.

##### Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2017 the Company had \$ nil (2016: \$ nil) financial instruments held at fair value through profit or loss included in level 3.

#### e) Capital Management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings as disclosed in notes 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 30 June 2017	Year ended 30 June 2016
	Cents	Cents
Basic and diluted earnings per share	2.59	17.34
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	41,754,086	22,365,250
	\$	\$
Net profit used in the calculation of basic and diluted earnings per share	1,082,354	3,877,369

#### 18. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at 30 June 2017 (30 June 2016: nil).

#### 19. SUBSEQUENT EVENTS

On 24 August 2017, the Company declared a fully franked dividend of 2.5 cents per share.

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

## DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- the financial statements and notes are in accordance with the Corporations Act 2001 including compliance with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Company for the financial year ended 30 June 2017;
- 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

24 August 2017

## ADDITIONAL INFORMATION

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

### INVESTMENT PORTFOLIO

As at 30 June 2017 the Company held the following investments:

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Adacel Technologies Limited  
Amaysim Australia Limited  
Blue Sky Alternative Investments Limited  
Broadcast Services Australia Limited  
Capitol Health Limited  
Consolidated Operations Group Limited  
Elders Limited  
Enero Group Limited  
Event Hospitality and Entertainment Limited  
Gentrack Group Limited  
HUB24 Limited  
Inghams Group Limited  
Mayne Pharma Group Limited  
MNF Group Limited  
Ramelius Resources Limited  
Seymour Whyte Limited  
SMS Management and Technology Limited

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During the financial year ended 30 June 2017, the Company had 1,032 transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2017 were \$1,225,772.

### 20 LARGEST SHAREHOLDERS

Details of the 20 largest ordinary shareholders and their respective holdings as at 31 July 2017:

Shareholders	Ordinary shares held	% of issued shares
NAOS Asset Management Limited	4,783,381	9.10%
Jalinsons Pty Ltd	3,500,892	6.66%
Jetosea Pty Ltd	2,851,867	5.43%
Pershing Australia Nominees Pty Ltd	1,510,909	2.88%
RBC Investor Services Australia Nominees Pty Ltd	1,477,139	2.81%
Nivesa Pty Ltd	1,259,832	2.40%
Myall Resources Pty Ltd	1,213,392	2.31%
National Nominees Limited	1,085,500	2.07%
Mr Victor John Plummer	750,000	1.43%
Gaseous Pty Ltd	576,876	1.10%
Equitas Nominees Pty Limited	499,632	0.95%
HHY International Holdings Pty Ltd	487,162	0.93%
Alex Land Pty Limited	482,200	0.92%
Vasnan Pty Ltd	437,500	0.83%
Australian Executor Trustees Limited	400,000	0.76%
Netwealth Investments Limited	366,687	0.70%
DKL Investment Co Pty Ltd	350,000	0.67%
Wallbay Pty Ltd	300,000	0.57%
Pakids Pty Ltd	263,392	0.50%
Woodduck Pty Limited	262,145	0.50%
<b>Total</b>	<b>22,858,506</b>	<b>43.52%</b>



## ADDITIONAL INFORMATION

Continued

### SUBSTANTIAL SHAREHOLDERS

Shareholders	Ordinary shares held	% of issued shares
NAOS Asset Management Limited	4,783,381	9.10%
Jalinsons Pty Ltd	3,500,892	6.66%
Jetosea Pty Ltd	2,851,867	5.43%

### DISTRIBUTION OF ORDINARY SHARES

Analysis of ordinary shares by size of shareholders as at 31 July 2017.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1-1,000	27	14,567	0.03%
1,001-5,000	93	287,768	0.55%
5,001-10,000	102	886,822	1.69%
10,001-100,000	535	19,421,668	36.97%
100,001-99,999,999,999	81	31,926,064	60.76%
Totals	838	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 2017, the number of shareholdings held in less than marketable parcels was 10.

### 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.

### Directors

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

### Company Secretary

Sebastian Evans

### 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

