

NAOS Small Cap Opportunities Company Limited

ASX Code: NSC ACN: 107 617 381

Appendix 4E | Results for Announcement to the Market

Results Announcement for the year ended 30 June 2024

All comparisons are to the year ended 30 June 2023

	\$'000	up/down	% change
Revenue from ordinary activities	(30,063)	down	-674%
Loss from ordinary activities before tax attributable to shareholders	(34,237)	down	-6,181%
Loss from ordinary activities after tax attributable to shareholders	(24,282)	down	-1,030%
Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2024 Final quarterly dividend	1.25c	1.25c	25%
2024 First quarterly dividend	1.25c	1.25c	30%
2024 Second quarterly dividend	1.25c	1.25c	30%
2024 Third quarterly dividend	1.25c	1.25c	30%
Final Quarterly Dividend Dates			
Ex-dividend date			10 September 2024
Record date			11 September 2024
Last date for DRP election			12 September 2024
Payment date			30 September 2024
Dividend Reinvestment Plan			
The Dividend Reinvestment Plan is in operation and the recommended fully franked final quarterly dividend of 1.25 cents per share qualifies. The plan will be in effect per the latest dividend reinvestment rules.			
	30 June 2024	30 June 2023	
	\$	\$	
(Post Tax) Net tangible asset backing per share	0.59	0.81	
This report is based on the annual report which has been subject to independent audit by the auditors, Deloitte Touche Tohmatsu Australia. The audit report is included with the Company's Annual Report, which accompanies this Appendix 4E. All the documents comprise the information required by the Listing Rule 4.3A.			

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NAOS

NSC

NAOS SMALL CAP OPPORTUNITIES
COMPANY LIMITED

ANNUAL REPORT 2024

ACN 107 617 381

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Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to lands, waters and communities. We pay our respects to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

Key Dates

2024 Annual General Meeting

Tuesday 12 November 2024

NAOS Small Cap Opportunities Company Limited advises that its Annual General Meeting (AGM) will be held at 9.45 am (AEDT) on Tuesday 12 November 2024 at:

The Macquarie Room, State Library of NSW
1 Shakespeare Place
Sydney NSW 2000

Further details relating to the AGM will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company no later than 5.00 pm (AEST) on 17 September 2024.

NAOS Investor Roadshow

The NAOS Investor Roadshow will be coming to a city near you this October. Join us as the investment team discusses its investment philosophy and process, and provides an outlook on the market. We will also highlight a selection of stocks that are held within our Listed Investment Companies (LICs).

We invite you to come along with a guest, meet us in person, and understand more about NAOS Asset Management (NAOS) and our LICs. Register today to secure your seat.



FY24 Final Quarterly Dividend Dates

Ex-Dividend Date:

Tuesday 10 September 2024

Record Date:

Wednesday 11 September 2024

Last Date for DRP Election:

Thursday 12 September 2024

Payment Date:

Monday 30 September 2024

Perth

Tuesday 1 October
10.30 am–12.00 pm
InterContinental
Perth City Centre
815 Hay Street
Perth WA 6000

Canberra

Thursday 17 October
10.30 am–12.00 pm
East Hotel
69 Canberra Avenue
Kingston ACT 2604

Adelaide

Thursday 10 October
10.30 am–12.00 pm
The Playford Adelaide
120 North Terrace
Adelaide SA 5000

Melbourne

Tuesday 22 October
10.30 am–12.00 pm
Hilton Melbourne Little
Queen Street
18 Little Queen Street
Melbourne VIC 3000

Brisbane

Monday 14 October
10.30 am–12.00 pm
Sofitel Brisbane Central
249 Turbot Street
Brisbane QLD 4000

Sydney

Thursday 24 October
10.30 am–12.00 pm
Australian Museum
1 William Street
Sydney NSW 2010

Visit naos.com.au/events for more information.

NAOS Small Cap Opportunities Company Limited

NAOS Small Cap Opportunities Company Limited (ASX: NSC) seeks to provide long-term, concentrated exposure to Australian public emerging companies while providing a sustainable stream of dividends franked to the maximum extent possible, and long-term investment performance above the Benchmark Index, being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI).

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Key Metrics as at 30 June 2024

Pre-tax Net Tangible Assets per Share

\$0.50

Post-tax Net Tangible Assets per Share

\$0.59

Fully Franked FY24 Dividend (cents per share)

5.0 cents

Fully Franked Dividend Yield

11.36%

Share Price

\$0.44

Shares on Issue

134,973,666

Directors' Shareholding (number of shares)

2,711,461

Profits Reserve (cents per share)

12.4 cents

Investment Portfolio Performance as at 30 June 2024

	NSC Investment Portfolio Performance*	S&P/ASX Small Ordinaries Accumulation Index	Performance Relative to Benchmark
1 Year	-22.93%	+9.34%	-32.27%
2 Years (p.a.)	-11.06%	+8.89%	-19.95%
3 Years (p.a.)	-12.30%	-1.55%	-10.75%
5 Years (p.a.)	+1.85%	+3.70%	-1.85%
Inception (p.a.)	-1.30%	+4.31%	-5.61%
Inception (Total Return)	-8.24%	+32.05%	-40.29%

*Investment Portfolio Performance is post all operating expenses before fees, interest, taxes and capital-raising costs. Returns compounded for periods greater than 12 months. Performance has not been grossed up for franking credits received by shareholders. Inception performance (p.a. and Total Return) is from 1 December 2017.

Board of Directors



David Rickards OAM

Independent Chair

David Rickards OAM has been an Independent Director of the Company since 28 February 2018, and was elected Chair of the Company on 10 November 2022. David is also an Independent Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC). He is also Co-Founder of Social Enterprise Finance Australia Limited (Sefa) and was a director and treasurer of Bush Heritage Australia for nine years.

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

David holds a Master of Business Administration majoring in accounting and finance from the University of Queensland. He also has a Bachelor of Engineering (Civil Engineering) and a Bachelor of Engineering (Structural Engineering) from the University of Sydney, and a Bachelor of Science (Pure Mathematics and Geology).



Sebastian Evans

Director

Sebastian Evans has been a Director of the Company since 20 October 2017. Sebastian is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Emerging Opportunities Company Limited (ASX: NCC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager, since 2010.

Sebastian is the CIO across all investment strategies. He holds a Master of Applied Finance (MAppFin) majoring in investment management, as well as a Bachelor of Commerce majoring in finance and international business, a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM) and a Diploma in Financial Services.



Sarah Williams

Independent Director

Sarah Williams was appointed as an Independent Director of the Company on 25 August 2022. Sarah is also an Independent Director and Chair of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management in the financial services and IT industries. Most recently, Sarah was an executive director at Macquarie Group, and head of IT for the group's asset management, investment banking and leasing businesses. During her 18-year tenure at Macquarie Group, she also led the Risk and Regulatory Change team and the Equities IT team, and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and PricewaterhouseCoopers in London.

Sarah has been a director of charitable organisations, including Cure Cancer Australia Foundation and Make A Mark Australia. Sarah holds an honours degree in engineering physics from Loughborough University.



Trevor Carroll

Independent Director

Trevor Carroll has been a Director of the Company since 27 March 2017. Trevor was formerly Australia and New Zealand CEO of Electrolux Home Products. With over 30 years' experience in consumer-focused product strategy, brand marketing, and manufacturing, Trevor's experience extends to membership of the Electrolux Global Product Council, which is responsible for product development worldwide. Following retirement as CEO, Trevor undertook a role in Shanghai, advising Electrolux China on product strategy. In recent years, Trevor has been a director of The Good Guys, Fusion Retail Brands, Big Sister Food Group, and Crane Group.

He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008.

Trevor holds a Bachelor of Commerce from Canterbury University (NZ).



Warwick Evans

Director

Warwick Evans has been a Director of the Company since 20 October 2017. Warwick is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Emerging Opportunities Company Limited (ASX: NCC) and Chair of NAOS Asset Management Limited, the Investment Manager.

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

Warwick holds a Bachelor of Commerce majoring in economics from the University of New South Wales.

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David Rickards OAM
Independent Chair

Letter from the Chair

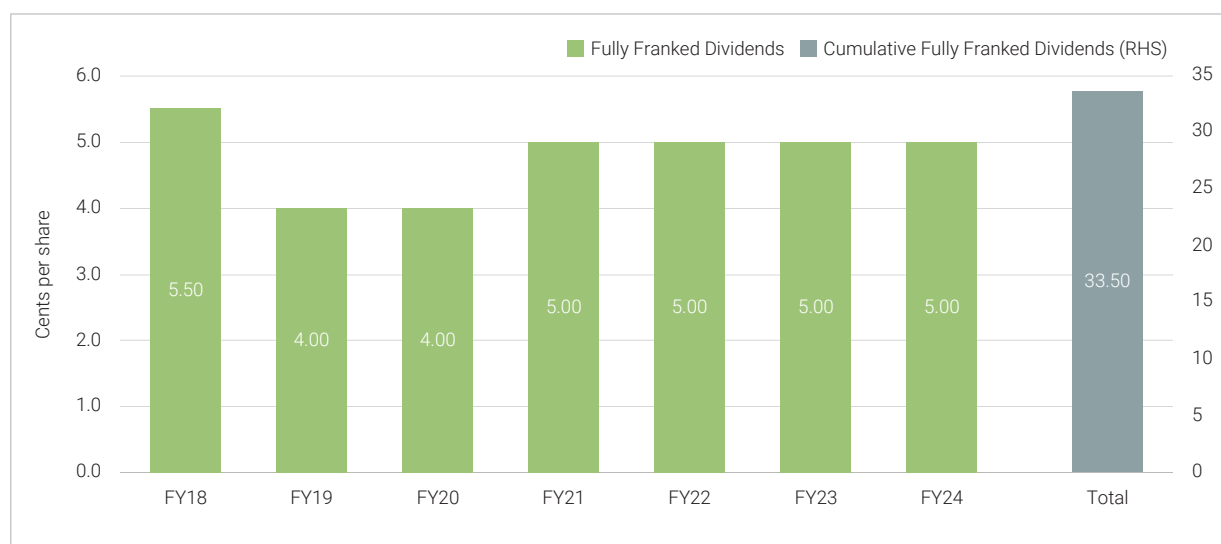
Dear fellow shareholders,

Welcome to the Annual Report of NAOS Small Cap Opportunities Company Limited for the financial year ended 30 June 2024 (FY24). I would like to thank all shareholders for your continued support throughout the financial year and welcome all new shareholders who joined our Company in FY24.

The Board has declared a fully franked final quarterly dividend of 1.25 cents per share, bringing the FY24 full-year dividend to 5.0 cents per share, and maintaining the dividend level of the previous year. This represents a net dividend yield of 11.36% based on the 30 June 2024 share price.

The Company has now declared a total of 33.50 cents per share of dividends since its inception in December 2017, all of which have been fully franked. The Company will continue to focus on delivering a sustainable stream of quarterly dividends, franked to the maximum extent possible, whilst maintaining an adequate profit reserve balance to enable the Company to pay dividends in periods when it is more challenging to generate significant performance. The profit reserve balance at year end was \$16.8 million, or 12.4 cents per share.

NSC Fully Franked Dividend History



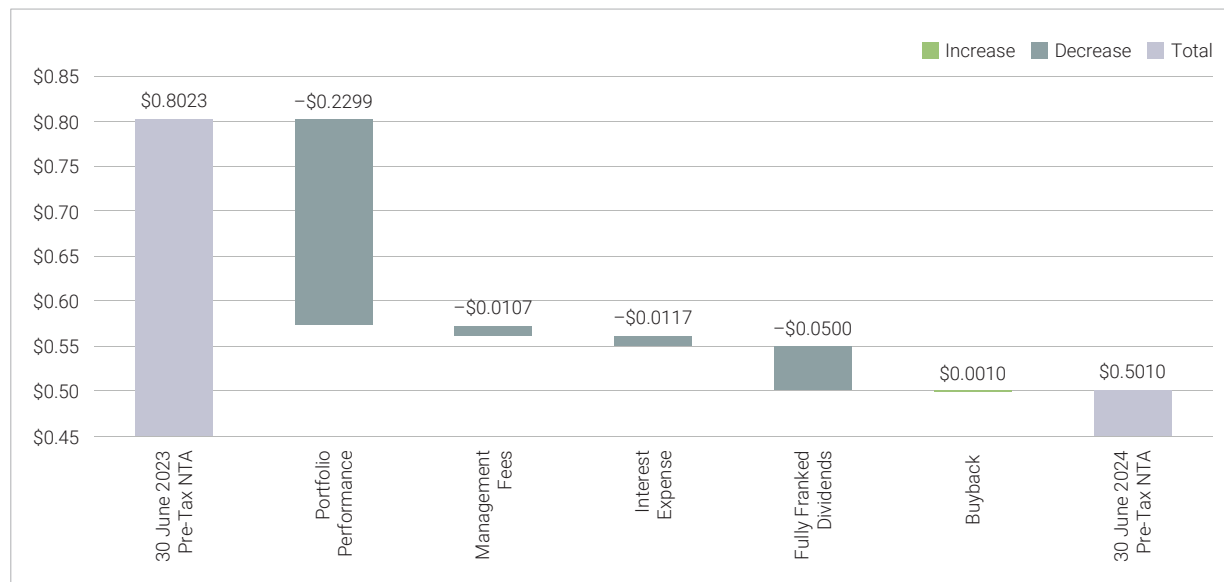
Without doubt, FY24 has been a difficult year for the Company from a performance perspective. The Company recorded an after-tax loss of \$24.28 million (FY23: after-tax profit \$2.61 million), with the NSC Investment Portfolio returning -22.93% for the financial year, compared to the benchmark index, the S&P/ASX Small Ordinaries Accumulation Index, which returned +9.34%.

The FY24 financial year was a strong one for the broader Australian equity market. Local investors have increasingly taken the view that the peak of the interest rate hiking cycle has been reached, and their risk appetite for the largest, most liquid equities, and technology stocks has returned. The returns generated by the NSC Investment Portfolio did not follow suit, with its exposure to generally smaller, more illiquid and cyclical businesses having a detrimental impact on performance in this environment. This was compounded by the continued appetite for more passive investment strategies focusing on the largest and most liquid equities, resulting in a significant dislocation in valuation between small and large listed businesses.

The macro-economic environment throughout FY24 was one characterised by softer demand, higher inflation/input costs for businesses and pressure on households. The growth in gross domestic product, according to the RBA's most recent June decision's Board Minutes, has been "weak, reflecting subdued activity in the more interest rate-sensitive parts of the economy, such as retail spending and housing construction". It is important to note that the Reserve Bank's latest commentary indicated that it is considering another rate rise, as it remains focused on bringing inflation back to target levels. The Company is committed to staying true to its investment philosophy of providing exposure to businesses which have sufficient durability to both withstand macro-economic headwinds and return to growth when conditions are more accommodating.

The pre-tax Net Tangible Asset backing (NTA) per share of the Company decreased from \$0.80 to \$0.50 over the financial year, as shown in the below chart. The impact of gearing in the Company magnifies the impact of the investment portfolio performance on the NTA per share.

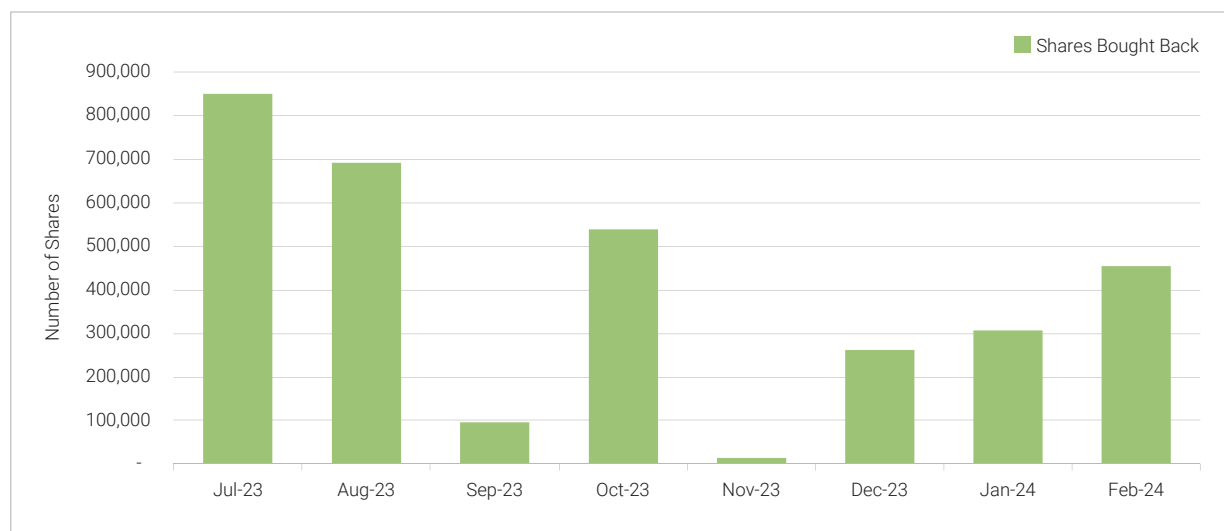
NSC Pre-Tax NTA Performance



The NSC share price discount to pre-tax NTA closed slightly throughout the year, finishing at -12.0% at 30 June 2024. The Board remains committed to further closing this discount to ensure shareholder returns are maximised over the long-term, through an active capital management strategy and other initiatives including:

- On-market Share Buyback** – 2.9 million shares were bought back over the course of the financial year and the Company has now bought back 34.3 million shares, or 20.3% of shares on issue since the buyback commenced in April 2019. The Directors believe that a share buyback program is a vital part of its capital management strategy to maximise value for all shareholders over the long term. When shares are trading below NTA it allows shares to be acquired at not only at a discount to the current NTA of the Company, but at what may prove to be a greater discount to the potential future value of the investee companies.

Shares Bought Back FY24



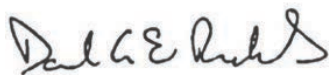
- No Dilutionary Share Issues** – For those shareholders who participate in the Dividend Reinvestment Plan (DRP) it is important to note the Company did not issue shares at a discount to NTA, but instead acquired shares on-market to ensure this capital management activity was completed without any potential dilution for existing shareholders.

- **Dividends** – The Company will continue to focus on delivering a sustainable stream of quarterly dividends, franked to the maximum extent possible while maintaining an adequate profit reserve balance.
- **Shareholder Communications** – The Board places significant value on timely, transparent and informative shareholder communications, ensuring that shareholders are aware of the Company's performance, investment philosophy and strategy. These communications, in the form of national roadshows, quarterly webinars with external CEO presentations, educational pieces, and blogs, is particularly important in times of market volatility.
- **Alignment** – The Board and Investment Manager have increased their ownership of NSC shares significantly since inception and continued to do so over FY24. In addition, in May 2024, the Investment Manager committed to reinvest up to 15% of its management fees each month to purchase NSC shares on-market, as a 'Fee Reinvestment Commitment'. As at the end of the financial year, Directors own a total of 2.7 million NSC shares.
- **Differentiated and Consistent Investment Strategy** – The Company continues to follow its investment strategy and there will be no significant deviation from this over the long-term, ensuring that all shareholders understand what the Company is aiming to achieve. The Board believes the strategy is unique and differentiated, with little scope for it to be replicated.

Despite the headwinds presented by the macro environment which may continue to prove challenging for smaller companies, as we enter FY25, the Board strongly believes that the NSC investee companies will emerge from the current challenging economic conditions in a manner that can deliver the long-term returns that our shareholders expect.

On behalf of the Board of Directors I would like to thank all shareholders for their ongoing support especially in these difficult times, and I would also like to thank the Investment Manager for their efforts and dedication throughout the financial year.

Kind regards



David Rickards OAM

Independent Chair

22 August 2024



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Sebastian Evans

Managing Director and Chief Investment Officer

Investment Manager's Review

Dear fellow shareholders,

For the financial year ending 30 June 2024 (FY24), the NSC Investment Portfolio fell by -22.93%, compared to the Benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which increased by +9.34%. FY24 marked the worst financial year return of NSC by some margin since its inception in 2017.

I want to be very clear and acknowledge this performance is not an acceptable return, and heading into FY24, we did not think producing such a poor result was even a remote possibility. My fellow Directors and I, many of our staff, and our extended networks and families are some of the largest investors in each of the NAOS LICs, so this underperformance hits home in a profound way.

As I will elaborate in this letter, I firmly believe the current share prices of many of our core investments do not truly reflect their long-term value. We remain steadfast in our view that the true value of these investments are significantly higher than where they stand today. Throughout the year, we have spoken with many sources to stress test our investment thesis for each of these investments, who have overwhelmingly corroborated our viewpoint regarding long-term value. As an investor in emerging companies, we expect these businesses should be able to substantially grow their earnings per share (EPS) over time, and frankly, most of our core investments have not hit our internal growth hurdles this financial year. However, this is not to say these businesses will not be able to grow EPS to substantially higher levels in FY25 or FY26. If this occurs and the macro environment becomes more favourable for such businesses, we believe the re-rate to fair value will be significant.

We believe we are business owners, and our investing mentality should be aligned to this. That is why we will often seek board representation on the companies we invest in, through a NAOS representative. At present, a NAOS representative sits on the board of eight of our investments, which we believe helps to support the respective executive teams and ensure they are taking the right steps to achieve their long-term strategic goals. If they successfully execute, this should lead to maximised shareholder value over the long term.

Has The Market Structure Changed Investing Forever?

Earlier in the year, highly regarded US-based investor, David Einhorn gave an excellent analysis on what is moving markets today, particularly on the changing structure of the market.

He argues that a significant portion of investment capital in the market either cannot assess valuations due to a lack of training, does not care about valuations (i.e. passive index funds or ETFs), or intentionally ignores valuations in favour of price-focused strategies (i.e. technical or quantitative strategies).

Einhorn illustrates this with an example of two companies both having a fair value of \$1 billion. If one is undervalued by the market and has a market capitalisation of \$500 million, and the other is overvalued with a market capitalisation of \$2 billion, a market capitalisation-weighted index fund investing \$5 will allocate \$4 to the overvalued company and only \$1 to the undervalued one. This leads to the overvalued stock receiving disproportionately more investment, causing it to outperform, while the undervalued stock underperforms.

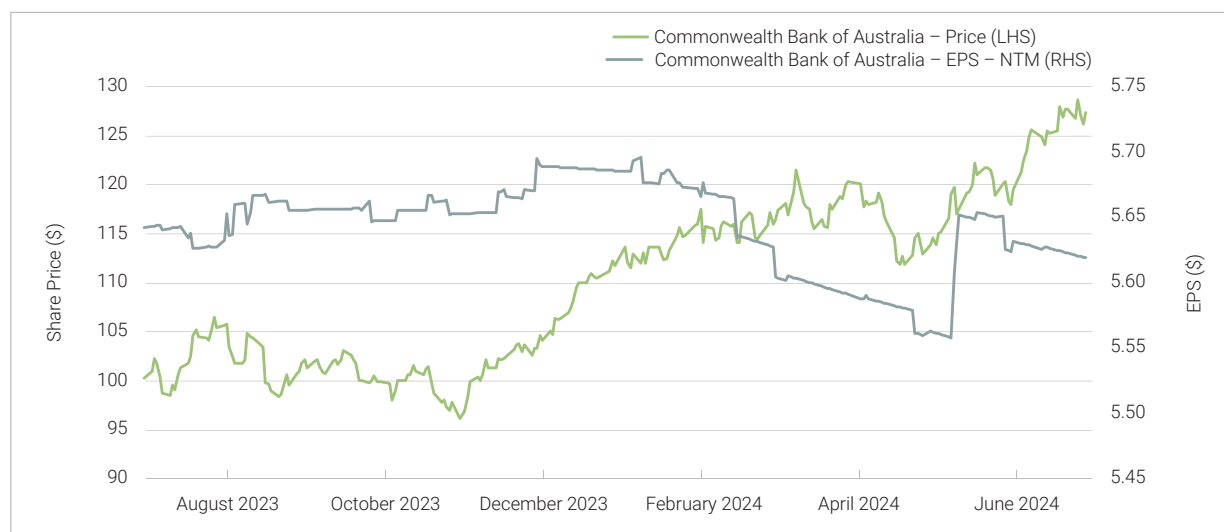
This issue is compounded when new investments into index funds come from redemptions from active managers who had previously allocated more to undervalued stocks. When money is withdrawn from these active managers and reinvested in index funds, the undervalued stock faces net selling, and the overvalued stock sees net buying, driving their valuations further apart.

The rise of passive investing over recent years has seen several trillion dollars redeployed in this fashion, which in Einhorn's words *"has fundamentally broken the market"*.

Looking at the ASX, Commonwealth Bank of Australia (ASX: CBA) would be the prime example of this in the domestic market. As at 30 June, CBA shares were trading at \$127.38, just below their record high. The share price has increased by +26.2% over the last 12 months and inclusive of dividends, has delivered a total shareholder return of +31.7%, markedly higher than the S&P/ASX 200 Accumulation Index FY24 return of +11.4%. Where the increase in CBA shares ties in with Einhorn's comments is in relation to its EPS growth. FY24 EPS is expected to decrease by -1%, then looking ahead to FY25, consensus estimates are forecasting earnings growth to be negative again, circa -3%. As such, CBA currently trades on a price-to-earnings (P/E) multiple of 21.9x, and given the decrease in EPS for FY25, this will increase to 22.7x.

Based on these metrics, I would argue the investment case for CBA goes against many of the fundamentals of investment analysis, such as looking for businesses that can provide sustainable EPS growth, as well as seeking businesses that do not require an ever-increasing amount of capital to achieve this, which leads to a reducing return on equity (ROE).

Commonwealth Bank – Share Price vs. EPS



Source – FactSet

Commonwealth Bank – Key Metrics

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E
EPS (\$)	5.54	5.42	5.77	5.34	4.86	5.43	5.75	6.25	6.04	5.81
EPS Growth	4%	-2%	6%	-7%	-9%	12%	6%	9%	-3%	-4%
Share Price (\$)	84.67	74.37	82.81	72.87	82.78	69.42	99.87	90.38	100.27	127.38
P/E Multiple	15.3	13.7	14.3	13.6	17.0	12.8	17.4	14.4	16.6	21.9

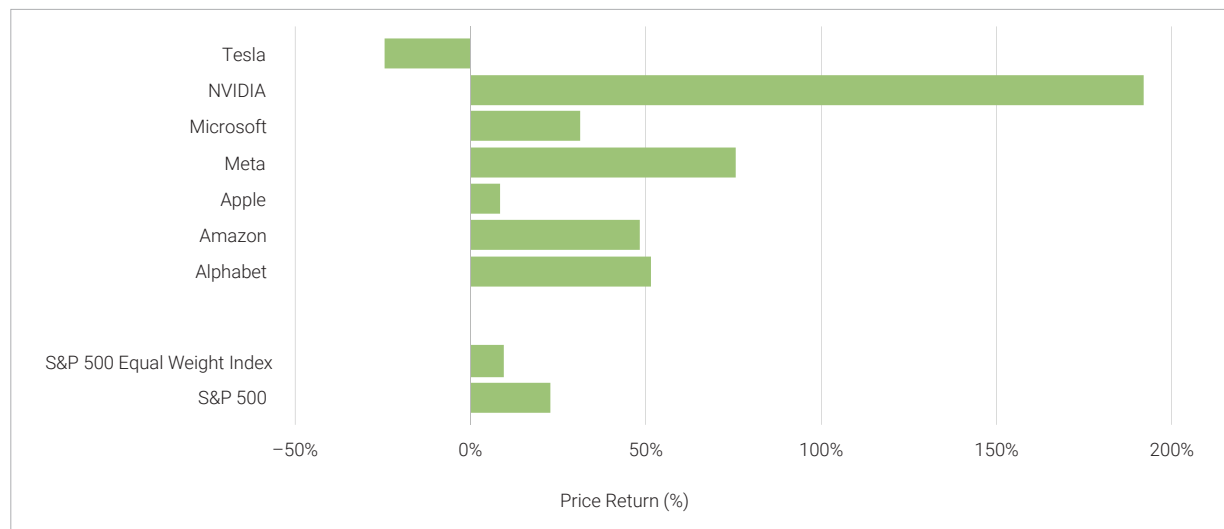
Source – FactSet

So, why is the price of CBA shares at a record high? When considering the current macro environment, one that is more conducive to low credit growth and increasing bad debts, this appears illogical. However, let us not forget, CBA is the second-largest business on the ASX by market capitalisation, and also a highly liquid one. It has provided investors with a relatively stable stream of dividends and in theory should continue to do so. If you have exposure to an exchange traded fund (ETF) that seeks to provide exposure to the ASX 100, Australian financials, or even large, listed businesses in Asia, chances are CBA will form part of that exposure. As these ETFs continue to increase in size and popularity, many of them will continue to acquire CBA shares regardless of price and/or value.

Interestingly, when looking at global banking peers, CBA would rank the fifth most expensive in terms of valuation. This is out of 120 banks that have a market capitalisation greater than \$85 billion (for context, ANZ Group has a market capitalisation of \$86 billion).

Looking to the S&P 500 in the US, a notable trend that has been occurring for some time now is the market breadth (or the number of stocks moving up versus those declining) has been decreasing at an ever-accelerating rate. Despite this, the S&P 500 has already set 30 all-time highs so far in CY24. The S&P 500 recorded a gain of +22.7% in FY24, but as we can see from the chart overleaf, the major contributors to this performance were five of the so-called "Magnificent 7", namely NVIDIA, Microsoft, Amazon, Alphabet and Meta Platforms. Due to their already large market capitalisations, given their substantial returns, we estimate they have contributed >95% of the S&P 500's FY24 return.

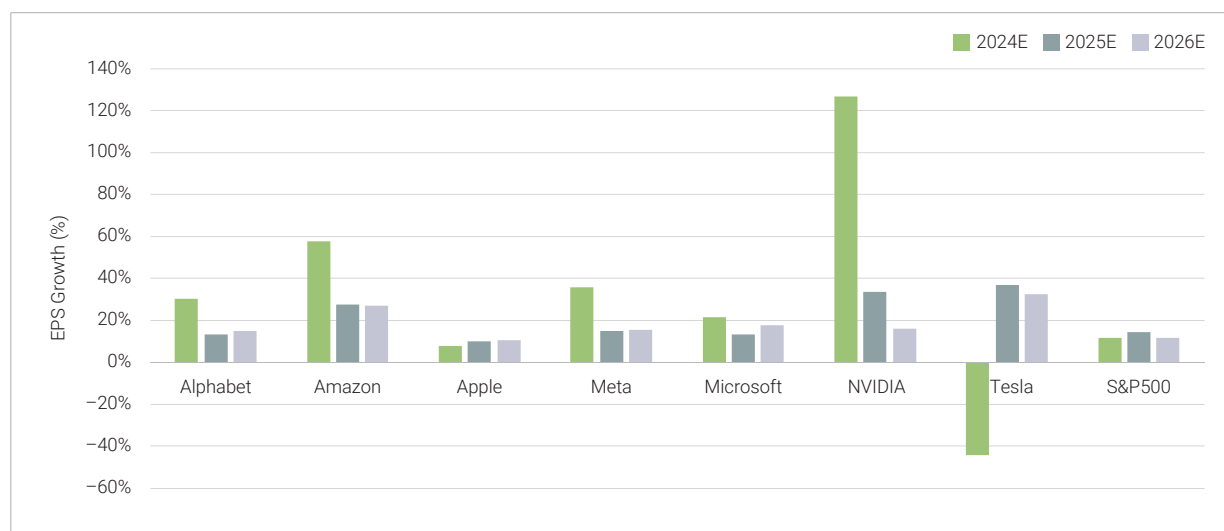
S&P 500 vs. Magnificent 7 - FY24 Share Price Return



Source – FactSet

While this may seem like a bubble, we believe it is in fact hard to justify current prices as such when we look at the current earnings and EPS% growth of each of these businesses. As an example, NVIDIA has a P/E of 50x, but its forecasted EPS is expected to grow ~120% for CY24, which will see the P/E halve. For Meta, the current P/E is 25x, with forecasted CY24 EPS growth of +30%. When you then overlay the average market capitalisations of the Magnificent 7 of \$2.2 trillion with their average cash balances of US\$32.3 billion, you can argue the current valuations are justifiable. The trends these businesses are exposed to are high growth in nature, generally scalable (globally) and have a market dominance that gives them a high level of pricing power. All these characteristics are very hard to find in one business, let alone seven.

EPS Growth Expectations – Magnificent 7 vs. S&P 500



Source – FactSet

So, what does all of this mean for investing in emerging companies, especially those outside the resources and technology sectors? The answer is not simple. In very basic terms, investment in such businesses needs to be attractive relative to all other investment options. In a world where we have mega-tech businesses, significant expansion of private credit (non-bank lending) and more speculative investments such as venture capital, various options are available to all investors.

For investors in emerging companies, returns are driven by three key outputs:

- earnings per share;
- the valuation multiple applied to these earnings; and
- dividends.

If an emerging company is unable to grow its earnings at a reasonable rate, then the valuation multiple applied by investors to these earnings will reduce. For example, if earnings remain flat, and the P/E multiple falls from 12x to 9x, this will lead to a 25% reduction in share price. Investors will then be reliant on dividend yields for any return.

In the current environment, many investors focus on short-term news flow and extrapolate these findings. For many businesses with cyclical attributes this had led to significant downside share price movements. I would argue this becomes self-fulfilling, as falling share prices result in smaller market capitalisations and often reduced liquidity, as investors move up the liquidity curve. This in turn makes it less attractive for the company to remain a listed business as the valuation premium reduces (or evaporates), leading to an inability to raise funds and further reduced liquidity for shareholders.

At NAOS, we continue to believe that investing in emerging companies that have a clear moat, are run by proven and aligned management teams, coupled with a long runway of growth in favourable industries, will ultimately yield strong long-term results. Economic cycles will impact earnings in the short term, but in our view, it is important to remember many large and successful businesses, such as Reece Ltd (ASX: REH), have experienced periods where their share price flatlines or even falls (especially in their early years). Acquiring shares in times such as these can yield tremendous results and we would argue such opportunities exist today.

Events of Significance for Investee Companies in FY24

Given the FY24 Investment Portfolio performance, it is easy to assume there were no significant events that may lead to strong shareholders returns in the upcoming year. However, in our view, there were a number of notable events that could shape the respective businesses for many years to come. They have not yet led to a change in the share prices of these investments, mainly due to their minimal impact on short-term profitability, but in our view a significant potential upside exists.

Big River Industries (ASX: BRI)

Acquisition of Specialised Laminators

During FY24 BRI announced the acquisition of Specialised Laminators (SL), a distributor and manufacturer of specialised panels mainly for use in a commercial environment, which has been operating since 1977. The business was acquired for an initial payment of \$10 million, split 70/30 between cash and BRI scrip. Using a crude 10% EBITDA margin against its \$27 million of revenue implies the business is being acquired on an EBITDA multiple of 3.70x. This was the first acquisition completed by new CEO, John Lorente, and in our view highlights one of the key attributes of our BRI investment thesis; namely, the opportunity for consolidation in a highly fragmented market that is dominated by baby boomers with limited succession options.

We believe this acquisition has a high level of strategic merit for BRI. The products distributed and, in some cases, manufactured by SL are of a more specialised and customised nature compared to typical laminates and veneers. The products are used in commercial applications, for example, coffins, boats, recreational vehicles and public bathrooms and amenity areas. With BRI now growing to 26 distribution sites across Australia and New Zealand, this extensive network provides SL with a unique platform to market and stock its product across the entire BRI network.

BRI's network, predominately via its panels division, serves thousands of commercial clients and joiners/cabinet-makers, all of whom are potential customers for SL's unique products, although they may currently be unaware of them. Additionally, BRI's acquisition of SL enhances its capability to develop new products to meet market demands and innovate to a level where there are fewer competing products. These products can then be effectively marketed and distributed throughout BRI's entire network, further strengthening its value proposition.

The decorative panels market in Australia and New Zealand is one that is not well understood by the wider market, and we estimate that post this acquisition, the total panels market that BRI has exposure to is worth approximately \$2 billion in sales annually, comprising a mix of high-value and lower value products. The two major players in the space are the family-owned Borg, and Fletcher Building (ASX: FBU), which owns the Laminex Group. Both companies primarily focus on manufacturing rather than distribution, particularly when dealing with smaller commercial clients. BRI has the ability to cater to these smaller commercial clients, and also offer a national network with a wide range of products, including specialised veneers and panels. In our view, this gives BRI a unique moat and a long runway for growth both organically and via M&A.

MOVE Logistics (ASX/NZX: MOV)

2H Trading Update & Business Observations

Sometimes a business does not make one significant announcement that impacts the long-term investment thesis, but rather a subtle market release that suggests a pivotal moment has occurred and a business has turned a corner. In the case of MOV, this may be its update in late May, which simply stated "*MOVE continues to expect 2H24 Normalised EBITDA to be ahead of 1H24*", making it the first measurement positive outcome since we became shareholders. With 1H EBITDA of just \$13.2 million (and EBIT -\$8.6 million), an improvement may seem like a given. The sole analyst who covers MOV has a 2H FY24 EBITDA of \$15.8 million, or an improvement of ~20%, which is likely still loss-making at the EBIT line. We believe it is possible MOV may surprise slightly to the upside and deliver an EBIT result that is closer to breakeven.

Context is important when analysing the above improvement. The New Zealand economy has twice entered recession since December 2022, although the March 2024 quarter showed positive GDP of 0.2%. As a large portion of MOV's customer-base exposure is building, construction and consumer discretionary sectors, such a weak economic backdrop is going to be extremely challenging for a logistics business with a large fixed-asset base.

So, if MOV has been able to make financial progress when the macro backdrop should have resulted in more earnings pressure over 2H FY24, it would suggest the large number of internal business improvement projects are starting to bear fruit. Some examples of these improvement initiatives include:

- **Effective Sales Team/Function** – Previously, we did not believe MOV had a credible sales function that was able to design and implement a sales strategy that best suited the MOV asset base and led to profitable work. Today MOV has a sales team of >15 people, and recent wins such as The Warehouse Group (NZX: WHS), suggest momentum is starting to grow.
- **Legitimate Less than Container Load (LCL) Offering** – Historically, MOV has been known as a traditional line-haul and full truckload business. However, it has one of the largest logistics networks in New Zealand, with a strong regional presence and warehouse offering. This positions MOV well to handle LCL freight, which can be higher margin if managed effectively while also reducing customer concentration.
- **Move to Owner-Driver Model** – MOV has always been an owner of all of its trucks and associated equipment, whereas in contrast Mainfreight (NZX: MFT) owns very few, if any, trucks and uses an owner-driver model. MOV is transitioning to this model where it makes sense, which should lead to greater efficiencies and a smaller asset base.
- **Lower Repair & Maintenance (R&M) Costs** – As a significant owner of trucking assets, MOV faced high ongoing R&M costs due to the sub-optimal age of many trucks. By selling older trucks, moving to an owner-driver model, and leasing company equipment with fixed-cost servicing, R&M costs should reduce significantly and align more closely with MOV's revenue base.
- **Implementation of Company Transport Management System** – MOV has never had a company-wide IT system that provides real-time data useful for both the business and its customers. Basic metrics such as the average spend of a customer would be hard or impossible to gather in real time. The implementation of this system, expected to be fully operational by mid-FY25, will provide valuable insights for strategic improvements and to better understand customer needs.

FY25 will be a watershed year for MOV and its executive team. Many key strategic items should be fully implemented, and key executives will have been in their roles for a reasonable length of time. Clearly the resignation of CEO Craig Evans in July was unexpected, but we believe the executive team has the calibre to execute on the stated strategy without him at the helm. We also believe that with the improvements made to date, MOV should be able to promote or recruit a high-calibre CEO once again.

While we do not profess to be macro-economic experts, consensus expectations suggest a series of rate cuts in New Zealand starting as early as November, with a total reduction of 2.0% to 2.5% over the rate-cutting cycle. This should create a more accommodating macro environment for MOV to grow its revenue base with its overhauled go-to-market strategy. If MOV is able to successfully grow its revenue base, we expect the margin improvement to be significant over the coming years, but the business must be able to continue to weather the current extreme slowdown in New Zealand, to realise this value in years ahead.

MaxiPARTS (ASX: MXI)

Acquisition of Independant Parts

The management team of MXI continues with its strategy of providing the business with geographic reach, product diversification and financial scale, with the acquisition of Western Australia-based Independant Parts (IP). This acquisition solidifies MXI's ambition to be one of the largest players in the aftermarket truck parts space with a nationwide presence, and in revenue terms puts it at a similar size to that of Supply Network Limited (ASX: SNL) and Bapcor's (ASX: BAP) commercial division.

MXI paid ~\$30 million for IP, which generated ~\$45 million of revenue and \$3.4 million of EBITDA (pre-AASB-16) in FY23. IP has four standalone branches but many more "embedded" sites. These embedded sites are essentially an IP store located within a client's main operation. For example, a mining business that has the scale and requirement for an onsite parts provider to minimise any downtime to their mining operations. This set-up ensures a continuous supply of necessary parts, critical for mining operations. It also allows the parts provider to get a better understanding of its client's needs on an ongoing basis, so they can ensure they always have the right parts in stock.

From our perspective, there were several positive and negative attributes of this deal.

Advantages:

- **Increased WA Presence and Client Diversification** – Prior to this acquisition, of all the states MXI operates in, it was weakest in Western Australia (WA). But as the acquisition of Forch has shown (>90% of its revenues were WA sourced prior to acquisition by MXI), WA is a state that has substantial demand for MXI's products and services. The acquisition of IP now provides MXI with broader access to these markets across WA and the opportunity to expand its embedded business model. Clearly, many clients in WA operate in the resources industry, which diversifies MXI from the traditional eastern seaboard operators who rely on general logistics movement.

- **Embedded Business Model** – We believe that ~50% of IP's revenue is derived from sites that are part of their embedded business model, a model MXI did not employ prior to the acquisition of IP. We would argue this embedded model provides MXI with a significant competitive advantage, allowing it to deal directly with the customer at their site, truly understand their needs, and tailor services to meet those needs. If MXI delivers high-quality service, is easy to do business with, and offers fair pricing, it becomes difficult to see MXI being displaced from these sites, especially due to the time-critical nature of many of these part requirements. Furthermore, this successful embedded business model in WA could potentially be replicated on the east coast, providing MXI with valuable optionality.
- **Core Business Growth and Margin Expansion** – As both margin and revenue growth formed the core part of our original investment thesis, it was pleasing to see MXI continue to grow revenue as well as margins. The increasing demand for non-genuine truck parts, as customers recognise the benefits of non-OEM products, plays a significant part in MXI's top line growth. Additionally, compared to its closest listed peer, Supply Network Limited (ASX: SNL), the EBITDA margin differential is >8%. Although a number of variables mean this is not an "apples to apples" comparison, regardless we believe MXI has the opportunity for this margin profile differential to materially reduce over time.

Disadvantages:

- **Sophisticated Vendor, Price Paid and Deal Structure** – The IP business was previously majority owned by a WA-based private equity firm. Sceptics will argue such an investor/owner would have ensured that the earnings potential of the business was maximised prior to sale. The fact MXI paid 100% cash for the business also lends to the argument MXI may have paid a full price with minimal protection if the forward earnings do not grow as expected. We should point out that during the trading update provided in May 2024, management flagged that *"the trading results for IP are tracking in line with expectations, with the WA market still remaining buoyant"*, so while we have high expectations for the newly acquired business, it will be a focal point during the FY24 results.
- **Equity Raising** – An attribute that first attracted us to MXI was the significant free cash-flow generation, driven in part by strong gross cash-flow conversion, minimal capex and approximately three years of income tax losses. As such, we found it a little disappointing that MXI's board opted to fund the acquisitions with a \$17.2 million placement (with no access to retail investors) at a 10% discount to the last share price. Looking forward, assuming management continues to execute as it has done so previously, we would expect the board to adopt a capital management strategy that is more aligned with MXI's cash-flow generative nature and balance sheet strength.

MXI remains one of our highest conviction investments held in the NSC Investment Portfolio, with Peter Loimaranta and his team doing an exceptional job in a short period of time. Despite a weaker than expected 2H FY24 from a trading perspective and some missteps in guiding the market regarding cost increases associated with new leases, MXI operates in an industry with strong long-term fundamentals and has significant opportunity to increase its margins over time.

FY25 Outlook

There is no doubt that being an index-unaware, active manager with a focus on emerging companies has never been more challenging. Despite this, we fundamentally believe and remain steadfast in the belief that investing in emerging companies, with a long-term and concentrated portfolio structure, can lead to substantial positive returns.

I would argue the current share prices applied to most, if not all of our core listed investments factor in no earnings growth or even negative growth over the long term. However, as history has shown us, extrapolating a current earnings profile can prove to be a misguided approach, when earnings are either depressed (and also valued on low earnings multiples) or at inflated levels (and also trading on lofty earnings multiples). This can explain why large amounts of variability can occur for a company's share price over time.

In our view, three key factors will dictate the returns of the NSC Investment Portfolio over the next few years.

Firstly, economic conditions will change, and these changes may have significant impacts on some of our key investments, such as Big River Industries (ASX: BRI), COG Financial Services (ASX: COG) and MOVE Logistics (ASX/NZX: MOV). It may sound simplistic but for businesses such as BRI and MOV, the leverage to revenue growth is significant due to their respective fixed-cost bases. BRI's ~40% exposure to residential construction is key, and with new housing approvals at very modest levels even in the face of government stimulus and a critical housing shortage, this provides a significant headwind for BRI. However, as activity starts to improve, we expect BRI to be a significant beneficiary.

For MOV, you will not find many businesses more correlated to economic activity. Many of their clients require their products to be transported all over New Zealand, but as their sales volumes fall, so do their transport needs, even for staple products. As the economy recovers from recession, increased movement and activity should benefit MOV significantly, especially as the company becomes more efficient and effective.

As the largest aggregator of asset finance, and a notable provider of novated leases, COG stands to benefit as businesses regain confidence and seek finance to fund their growth initiatives in a timely manner. As economic conditions improve, businesses tend to be less focused on the price of this finance, and more on the whole service offering. This backdrop should be more amenable for COG to grow its earnings organically.

Secondly, businesses will need to continually innovate and refine their strategies to ensure they meet their customers' changing needs, and we are confident our investments are nimble enough to execute successfully in this regard. We also do not believe that many of our businesses reacted as effectively as they could have in 2H FY24 from an efficiency perspective. In FY25, they will need to ensure they are being as efficient as possible to maximise the value of their asset base, particularly if cost rationalisation activities have occurred in response to the more challenging economic climate of late.

Thirdly, as listed companies they also have the clear advantage over their private counterparts in being able to use their listed scrip to acquire businesses that bring with them a compelling strategic offering. Potential opportunities for strategic M&A activity are also likely to increase given the depressed valuations across many emerging companies.

There is no doubt that the above factors come with a significant amount of execution risk. However, due to the recent investor exodus from emerging companies, in our view the valuation multiples currently applied to many emerging companies have not been as depressed for 10 or even 20 years. Consequently, when these businesses grow their earnings base at a rate even slightly above market expectations (e.g. >5%), we would argue the re-rating of these businesses has the potential to be significant. As we have seen over the past 12 to 24 months, when a listed business remains undervalued over a significant timeframe, then there is a real possibility the company will be acquired and delisted. In 2024 alone, within the building materials sector, three of the largest listed businesses saw takeovers, namely Boral (ASX: BLD), Adelaide Brighton (ASX: ABC) and CSR Limited (ASX: CSR), all of which had been listed since the 1960s.

We also believe that in most cases the people who run our core investments are highly aligned, highly motivated and highly capable. This also gives us great confidence the strategies are being implemented with strong fundamentals behind them and a high level of energy to achieve the outcomes in a desirable timeframe. While some may argue executives/management teams have a poor ability to judge what fair value is for their respective businesses, we would argue these same people have a deep understanding of the long-term strategic value of their respective businesses.

In conclusion, we are striving for improved returns following the recent unsatisfactory performance. We take full responsibility for these results and remain committed to restoring value and delivering long-term performance.

My fellow NSC Directors and I continue to increase our shareholdings, and NAOS has also recently committed to reinvest up to 15% of its annual management fee into acquiring NSC shares on-market.

The entire team at NAOS is acutely aware of the trust you have placed in us to manage your capital and we greatly appreciate your ongoing support.

If shareholders have any questions, please do not hesitate to contact me directly.

Kind regards,



Sebastian Evans

Managing Director and Chief Investment Officer
NAOS Asset Management Limited

NSC Core Investments



Big River Industries (ASX: BRI)

Big River Industries (BRI) is a leading manufacturer and distributor of value-added timber and building material products in Australia and New Zealand. BRI has gained scale in recent years through the acquisition of bolt-on businesses to diversify its product offering and expand its geographical network, which now includes 26 sites. BRI operates in the commercial sector with customers using BRI products in real estate developments (detached and multi-residential), commercial construction projects and civil construction, among others. BRI has over 9,000 active trading accounts, serviced by ~640 staff members. BRI achieved \$449 million in revenue in FY23.



BSA (ASX: BSA)

BSA is an Australian-owned and operated ASX-listed company with over 25 years' experience delivering fixed-line and wireless telco services, smart metering services and premium EV charging solutions. BSA provides services to Australia's household brands, including NBN, Foxtel and Telstra. The BSA team comprises over 300 employees and over 1,000 skilled field technicians focused on building strong, long-term relationships with customers and partners in the Telco, Smart Energy and EV sectors.



COG Financial Services (ASX: COG)

COG Financial Services (COG) is Australia's leading aggregator of finance brokers and equipment leasing services to small and medium-sized enterprises (SMEs). COG's operations are spread across three complementary business divisions: Finance Broking & Aggregation (FB&A), Lending & Funds Management, and Novated Leasing, all of which service the financial needs of SMEs nationwide. At 1H FY24, COG had an ~21% market share of the Australian asset finance broking market, with the COG network financing \$7.7 billion in assets for SMEs in FY24. COG has been highly acquisitive in recent years, acquiring finance brokers, insurance brokers, as well as fund management and novated-leasing businesses.



MaxiPARTS (ASX: MXI)

MaxiPARTS (MXI) is a supplier of commercial truck and trailer aftermarket parts to the road transportation industry. In operation for over 30 years, MXI is one of the largest operators in Australia, with a unified support and distribution network providing over 50,000 different parts across 27 sites nationwide.



MOVE Logistics (ASX/NZX: MOV)

MOVE Logistics (MOV) is one of the largest freight and logistics providers in New Zealand. It has a large network of 40 branches across the two main islands of New Zealand, with capability to serve more than 3,500 customers. Originally listed on the New Zealand Exchange, the business dual listed on the ASX in July 2022.



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Investing With NAOS Asset Management



NAOS Asset Management is a specialist fund manager providing concentrated exposure to quality public and private emerging companies.

NAOS takes a concentrated and long-term approach to investing and aims to work collaboratively with businesses rather than be a passive shareholder. NAOS seeks to invest in businesses with established moats and significant exposure to structural industry tailwinds, which are run by proven, aligned and transparent management teams who have a clear understanding of how to compound capital.

We look to build large investments in businesses and from time to time will seek board representation or

look to appoint highly regarded independent directors. Importantly, NAOS, its Directors and staff are significant shareholders in the NAOS LICs, ensuring strong alignment with all shareholders.

NAOS is B Corp certified. As a B Corp in the financial services industry, we are counted among businesses that are leading a global movement for an inclusive, equitable, and a regenerative economy.

NAOS launched its first LIC in 2013 with 400 shareholders. Today, NAOS manages three LIC vehicles and one private investment fund, for approximately 6,500 shareholders.



Our Values



Encourage Independent Thinking

Rather than follow the crowd, we prefer to pave the way with innovation and provide a better outcome for our stakeholders. We have a disciplined investment process and do not get caught up in the hype and noise of the market.



Have a Long-term Perspective

We believe in investing in businesses where the earnings today are not a fair reflection of what the same business may earn over the longer term. Prior to investing in a business, we ask ourselves: Do we want to own this business forever?



Do One Thing and Do It Really, Really Well

At NAOS, we focus on providing concentrated exposure to quality public and private emerging companies – and we strive to be the best at this.



Act Responsibly

We are responsible for investing our fellow shareholders' funds and we do not take this responsibility lightly. At NAOS, we seek to always act responsibly and diligently in all matters – from our investment choices through to our shareholder communications.



Tell It Like It Is

At NAOS, we are honest and transparent. We continue to exist due to the earned trust of our shareholders.



Be an Owner

NAOS employees strive to make NAOS a success by taking ownership of their tasks and responsibilities. In addition, NAOS Asset Management Limited is majority owned by employees and Directors.



Have the Right People in the Right Environment

Each NAOS employee has been specifically chosen for their unique ability, proven experience and willingness to learn. At NAOS, we have created an inclusive work culture and one that supports all our employees.



Give Back

As a company, we have committed to pledge 1% of our revenue, time and knowledge to movements and missions that matter. We want to make a difference, and aim to contribute to economic, social and environmental improvement.



Be Invested and Aligned

As NAOS Directors and employees, we have a significant interest in NAOS' investment strategies. This means we are invested alongside our shareholders, creating a strong alignment of interests.

Our Investment Beliefs



Value with Long-Term Growth

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



Ignore the Index

This means we are not forced holders of stocks with large index weightings that we are not convinced are attractive investment propositions. We actively manage each investment to ensure the best outcome for our shareholders, and only invest in companies we believe will provide excellent, sustainable, long-term returns.



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 zero to 20.



Investing Within Our Circle of Competence

As a specialist fund manager since 2004, over the years NAOS has developed a strong "circle of competence" (or mental models) in specific industries. We openly acknowledge we avoid businesses that are either too complex to understand, or heavily influenced by one or two variables, such as interest rates or commodity prices. Instead, we concentrate on businesses that fall within our circle of competence, aiming to minimise the risk of permanent capital loss. Unlike others, we are comfortable setting aside investments that we consider "too hard", while we compound our knowledge in specific industries where we believe we have a competitive edge.



Invest for the Long Term

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



Performance vs. Liquidity Focus

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



Management Alignment

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

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Environmental, Social, and Governance (ESG)

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



Constructive Engagement

At NAOS, we seek to work collaboratively with businesses and their respective management teams. We are often the largest shareholder in the businesses we invest in, and from time to time we will seek board representation, either via an independent or a non-independent representative. This approach allows us to supportively engage with the boards and/or management teams of our portfolio holdings, and maximise the potential for our invested capital to compound at a satisfactory rate over the long term.

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

- growth capital if/when required;
- messaging and communications;
- capital management decisions;
- company strategy;
- board composition.



Our Investment Process

Investment Criteria

Management & Culture

- What is the management team's industry experience and what is its track record on results, integrity and transparency?
- What ownership levels (shareholder alignment) does the management team have?
- What is the staff turnover level and what does this say about business loyalty among employees?
- What ethical standards do employees have?
- Does the culture promote long-term strategic thinking, even at the expense of short-term profits?
- Is there a company-wide desire to be an industry leader?

Valuation, Growth & Margin of Safety

- Does the company have a moat from competition (patents, assets, monopolies, uniqueness, pricing power)?
- Is this company moat increasing over time?
- Is the business scalable without incurring large increases in overheads?
- Is the industry growing (demographic, technological, cyclical and consumer trends)?
- Is there an obvious margin of safety (earnings quality, multiple, cash levels, growth runway)?
- What is its free cash-flow generation history and potential (capex levels, operating costs etc.)?
- What is its balance sheet flexibility (cash reserves, undrawn debt, hard assets, liability obligations)?
- Is the business growing organically (does it have avenues for internal growth)?
- What are the trends in the company's return on invested capital (ROIC) and future potential?
- Are there catalysts that can drive an increase in the share price?

Considering ESG Factors

- Identify ESG factors we think are relevant to each proposed investment.
- Consider our stance on these ESG factors, based on the principles and frameworks we believe can help to influence positive social return.
- Integrate our findings into our broader investment process which focuses on quantitative and qualitative analysis.

Total ASX-Listed Companies

2,688

Investment Universe Funnel

Company Size & Security Type

Remove: ASX Top 50, <\$20m market cap, ETFs

Revenue

Remove: No substantial revenue

Industry

Remove: Industries in structural long-term decline and not conducive to long-term growth

ESG Negative Screen: Tobacco, Gambling, Nuclear and Uranium, Controversial Weapons, Coal Mining Operations, Oil and Gas Production and Animal Cruelty

Balance Sheet

Remove: Unsustainable debt levels

Companies in the NAOS Universe

273

NAOS Active Investment Universe Watchlist

50-80

ASX: NSC

NAOS Small Cap Opportunities Company Limited

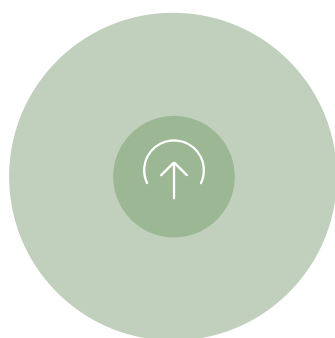
NSC generally invests in 0-20 ASX-listed emerging companies.

0-20

NAOS Qualitative Information Sources

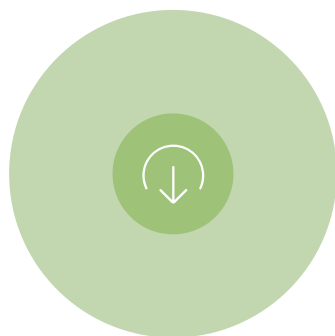
The NAOS investment team undertakes fundamental analysis on potential and current investments.

Some examples of key focus areas include:



Internal Engagement

- Executive team, including CEO, CFO, COO and CTO
- Board of directors (independent and non-independent)
- Wider management team and staff, for example, general managers and sales executives to assistant/associates



External Engagement

- Former employees
- Listed and unlisted competitors
- Suppliers (current and former)
- Customers (current and former)
- Industry contacts and industry associations



Hands On

- Company announcements and reports
- Product/service sampling and testing
- Cold calling



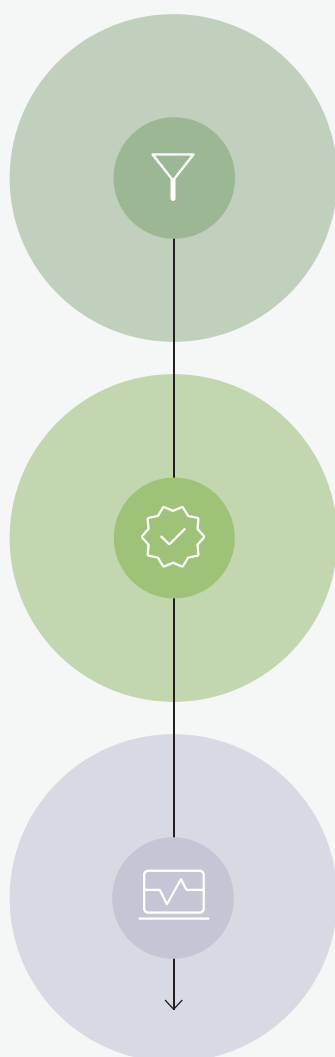
Research

- Company announcements and reports
- Transcripts (company specific and other)
- Industry reports and journals
- Social media and industry forums
- Surveys, ratings and proprietary analytical tools
- ESG and positive impact analysis

Considering ESG Factors in the NAOS Investment Process

At NAOS, as an investment manager, we recognise and accept our duty to act responsibly and in the best interests of all stakeholders. We believe that a high standard of business conduct and a responsible approach to environmental, social and governance (ESG) factors are associated with a sustainable business model over the longer term, which also benefits the broader economy.

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



Screening

NAOS excludes investment in specific industries and companies whose products, services or ethics do not align with our responsible investment goals, such as:

- Tobacco
- Gambling
- Nuclear & uranium
- Controversial weapons
- Coal mining operations, oil & gas production
- Animal cruelty

Due Diligence and Investment Decision

- Identify ESG factors we think are relevant to each proposed investment
- Consider our stance on these ESG factors, based on the principles and frameworks we believe can help to influence positive social return
- Integrate our findings into our broader investment process, which focuses on quantitative and qualitative analysis

Ownership and Monitoring

- With our long-term, concentrated investment approach, we are often a substantial shareholder in our investee companies and can meaningfully influence them to address identified ESG issues
- Creating accountability through ongoing monitoring and engagement with our investee companies

Our Guidelines

Our approach to considering ESG factors in our investment process is guided by:

Signatory of:



The Principles for Responsible Investment (UNPRI)

A globally recognised framework consisting of six principles that guide the incorporation of ESG factors into investment analysis.



The United Nations Sustainable Development Goals (UNSDG)

A global framework that addresses sustainability challenges worldwide, offering 17 interconnected goals to achieve by 2030.

Accreditation

Certified



Corporation

Certified B Corporation

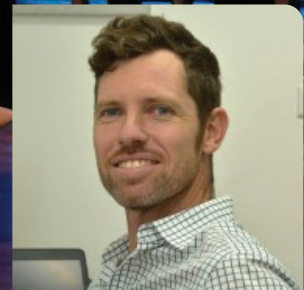
B Corporation certification is afforded to companies that demonstrate high standards of verified performance, accountability and transparency in the areas of social and environmental responsibility.



Our Investee Companies and Their ESG Journeys



BIG RIVER



Gareth Watson

Executive General Manager - Supply Chain and Manufacturing
Big River Industries

Big River Industries

ASX: BRI

We spoke with Gareth Watson, Executive General Manager – Supply Chain and Manufacturing at Big River Industries. We discussed the importance of sustainability in the production of building products. Below are some of the key highlights from our conversation.

What are Big River Industries' current initiatives regarding sustainable forestry practices?

At Big River, we are dedicated to ensuring our timber products meet the highest standards of sustainable forestry practices. By partnering with leading global producers and supplier partners who are certified to internationally recognised forestry standards, including the Forest Stewardship Council (FSC), the Australian Forestry Standard (AFS), and the Program for Endorsement of Forest Certification (PEFC), we guarantee responsible tree harvesting with no net forest loss over time; the preservation of forests with irreplaceable values; the protection of plant and animal species; and engagement with local communities, respecting their legal and cultural rights to land and forest resources.

What strategies has Big River Industries implemented to minimise waste and maximise the reuse of timber products throughout their lifecycle?

Our commitment to sustainability is reflected through our ongoing initiatives aimed at enhancing sustainable forestry practices. One notable example is the recent upgrade of our Grafton Plywood facility, which now produces an increased percentage of higher value architectural products with longer product life cycles, contributing to extended carbon sequestration. Furthermore, we are consolidating and standardising our sustainable forestry processes and certifications, to implement best practices across our entire business.

Big River is focused on optimising productivity, enhancing product performance, and reusing materials to minimise environmental impact. In our production facilities, yield management is crucial for productivity, cost control, and waste minimisation. For example, our four frame and truss manufacturing facilities use advanced sawing technology to optimise timber cutting, maximising material usage and reducing waste. Alongside this, product design plays an important role, with our Australian-made formply products (Armourform) designed for maximum reuse, achieving high total-value extraction. We have also established reuse and recycle streams through partnerships with Men's Shed, school programs, and resource-sharing platforms like CivilShare in New Zealand.

Can you discuss any partnerships or collaborations that Big River Industries has engaged in to enhance sustainability practices within the timber industry?

In line with our recent upgrade at the Grafton site, we collaborated closely with forestry stakeholders to enhance the site's capability to process lower quality and smaller diameter logs, supporting more sustainable forestry practices. We continue to explore partnerships with industry bodies to investigate alternative sources of fibre and other sustainable substitutes, aiming to reduce reliance on more carbon-intensive options.

Does Big River Industries have key targets or milestones specifically related to renewable forests and recycling?

In 2020, our New Zealand panels business, Plytech, launched "Plytech Green," an initiative highlighting our commitment to environmental and social sustainability. This initiative introduced a new naturally derived lignin-based glue system, significantly reducing the environmental impact of a third of our products sourced from Europe.

The glue system replaces fossil phenol with bio-based lignin – a recyclable and ecologically friendly product. It is a wood-based, non-toxic material from a managed resource, which can be sustainably sourced. This product reduces the use of volatile organic compounds (VOC) and formaldehyde emissions, from production to end-use.

Big River remains steadfast in our commitment to sustainable practices, continuously striving to balance environmental conservation with responsible forestry management.

Looking ahead, Big River is targeting a reduced carbon footprint by increasing our exposure to environmentally positive products and services. We are committed to sourcing from the most recognised sustainable sources, and promoting timber as a sustainable material capable of removing and storing greenhouse gases.

Our Team



Sebastian Evans

Managing Director & Chief Investment Officer

Sebastian is a Director of NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC), NAOS Ex-50 Opportunities Company Limited (ASX: NAC), and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager, since 2010. Sebastian is the CIO across all investment strategies.

Sebastian holds a Master of Applied Finance (MAppFin) majoring in investment management, as well as a Bachelor of 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.



Robert Miller

Portfolio Manager

Robert joined NAOS in September 2009 as an investment analyst. Robert has been a portfolio manager since November 2014 and is currently Portfolio Manager across all NAOS LICs: NAOS Emerging Opportunities Company Limited (ASX: NCC), NAOS Small Cap Opportunities Company Limited (ASX: NSC), and NAOS Ex-50 Opportunities Company Limited (ASX: NAC), and the NAOS Private Opportunities Fund. Robert is also a non-executive director of Ordermentum Pty Ltd.

Robert holds a Bachelor of Business from the University of Technology, Sydney, and a Master of Applied Finance (MAppFin) from the Financial Services Institute of Australasia/Kaplan.



Brendan York

Portfolio Manager

Brendan joined NAOS in July 2021 as a portfolio manager. Brendan is also a non-executive director of Big River Industries Limited (ASX: BRI), BSA Limited (ASX: BSA), Saunders International Limited (ASX: SND), Wingara AG Limited (ASX: WNR), BTC health Limited (ASX: BTC), MaxiPARTS (ASX: MXI) and MitchCap Pty Ltd.

Brendan has over 20 years' finance, accounting and M&A experience. Most recently, Brendan had a 15-year career with ASX-listed marketing services business Enero Group Limited, initially in finance roles and ultimately as CFO and Company Secretary for a nine-year period. Prior to that, Brendan spent four years at KPMG.

Brendan is a chartered accountant and holds a Bachelor of Business Administration and a Bachelor of Commerce from Macquarie University.



Jared Tilley

Senior Investment Analyst

Jared joined NAOS in April 2021 as Senior Investment Analyst. Jared has over 17 years' financial services experience. Most recently, Jared was an investment analyst at Contact Asset Management and prior to that he spent nine years at Colonial First State.

Jared holds a Bachelor of Commerce majoring in accounting and finance from the University of Notre Dame, Sydney, and is a CFA Charterholder.



Nelson De Mestre

Associate Analyst

Nelson joined NAOS as an associate analyst in July 2020. He has a Bachelor of Commerce from the University of Sydney.



Richard Preedy

Chief Financial and Operating Officer

Richard joined NAOS in October 2015 as Chief Financial and Operating Officer. Richard has over 17 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 Bachelor of Arts (Hons) in Business Management from the University of Sheffield, is a qualified chartered accountant and is a member of the Governance Institute of Australia.



Rajiv Sharma

Head of Legal and Compliance

Rajiv is Head of Legal and Compliance at NAOS and 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.

Rajiv has over 14 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management (TSX: EFN), and also at Magellan Financial Group (ASX: MFG). He has also previously worked at law firms Johnson Winter & Slattery and Clayton Utz.

Rajiv is a member of the Law Society of New South Wales and is admitted to the Supreme Court of New South Wales and the High Court of Australia.



Julie Coventry

ESG Officer

Julie joined NAOS in November 2012 as Compliance Officer, and in January 2021, she commenced the role of ESG Officer.

Prior to joining NAOS, Julie worked within compliance and performance teams at BZW Investment Management, Commonwealth Bank, Colonial First State, and QBE.

Julie holds a Bachelor of Business 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.



Angela Zammit

Marketing and Communications Manager

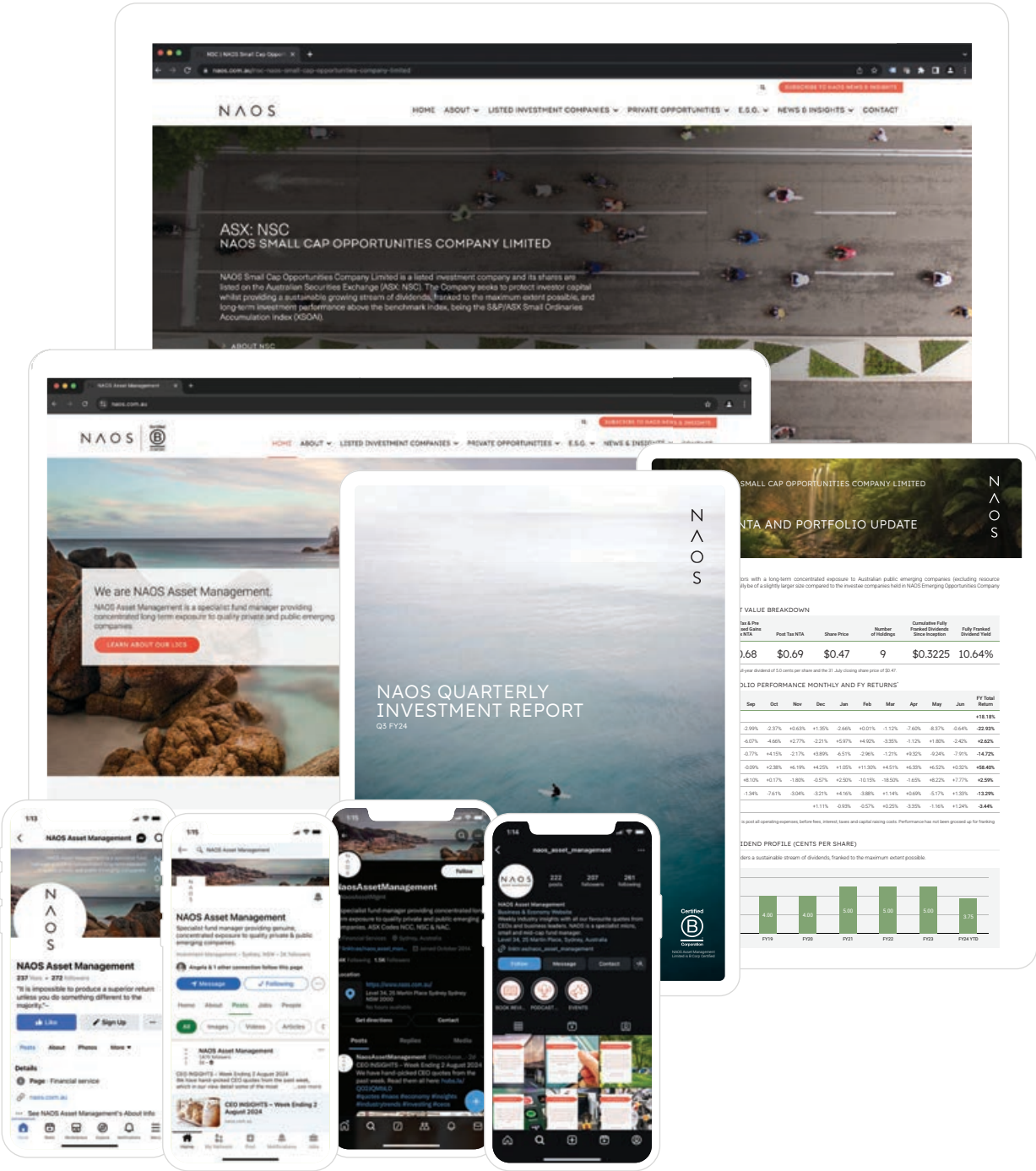
Angela joined NAOS in May 2020 in the capacity of Marketing and Communications Manager.

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

Angela holds a Bachelor of Communications majoring in advertising and marketing from the University of Canberra.

Shareholder Communications

NAOS Asset Management is committed to keeping all shareholders up to date. We endeavour to produce timely updates and relevant communications throughout the financial year. We also welcome shareholder feedback, so please email any feedback or suggestions to enquiries@naos.com.au.



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NAOS Giving Back

To be caretakers of the next generation, we must actively support positive change. Supporting our commitment to ESG issues, NAOS Asset Management (the management company) donates 1% of recurring revenue to organisations that support the community and the environment.

NAOS is proud to be supporting:



We believe people thrive when nature thrives.



Together, we're returning the bush to good health.



Empowering young people to thrive beyond the impacts of family mental illness.

Corporate Governance Statement

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

The Board has adopted the ASX Corporate Governance Principles and Recommendations, which are complemented by the Company's core principles of honesty and integrity. Visit naos.com.au/corporate-governance to view the Company's corporate governance policies and practices.

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Directors' Report

The Directors present their report together with the financial report of NAOS Small Cap Opportunities Company Limited (the Company) for the financial year ended 30 June 2024.

Company Information

The Company is a listed investment company (LIC) and its shares are listed on the Australian Securities Exchange. Since 20 October 2017, the Company has outsourced its investment management function to NAOS Asset Management Limited (ACN 107 624 126) (Australian Financial Services Licence No. 273529) (the Investment Manager).

Principal Activities

The Company invests primarily in a concentrated portfolio of listed equities with the objective of providing investors with a long-term, concentrated exposure to Australian emerging companies (excluding resource companies).

Directors and Officers

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

Directors

Name	Appointment Date	Period of Office
David Rickards OAM (Independent Chair)	28 February 2018	28 February 2018 – Present
Sarah Williams	25 August 2022	25 August 2022 – Present
Trevor Carroll	27 March 2017	27 March 2017 – Present
Warwick Evans	20 October 2017	20 October 2017 – Present
Sebastian Evans	20 October 2017	20 October 2017 – Present

The qualifications and experience of each person who has been a Director of the Company at any time since 1 July 2023 are provided below.

Directors' Information

David Rickards OAM – Independent Chair

David Rickards OAM has been an Independent Director of the Company since 28 February 2018, and was elected Chair of the Company on 10 November 2022. David is also an Independent Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC). He is also Co-Founder of Social Enterprise Finance Australia Limited (Sefa) and was a director and treasurer of Bush Heritage Australia for nine years.

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

David holds a Master of Business Administration majoring in accounting and finance from the University of Queensland. He also has a Bachelor of Engineering (Civil Engineering) and a Bachelor of Engineering (Structural Engineering) from the University of Sydney, and a Bachelor of Science (Pure Mathematics and Geology).

Sarah Williams – Independent Director

Sarah Williams was appointed as an Independent Director of the Company on 25 August 2022. Sarah is also an Independent Director and Chair of NAOS Ex-50 Opportunities Company Limited (ASX: NAC) and NAOS Emerging Opportunities Company Limited (ASX: NCC).

Sarah has over 25 years' experience in executive management, leadership, IT and risk management in the financial services and IT industries. Most recently, Sarah was an executive director at Macquarie Group, and head of IT for the group's asset management, investment banking and leasing businesses. During her 18-year tenure at Macquarie Group, she also led the Risk and Regulatory Change team and the Equities IT team, and developed the IT M&A capability. Sarah has also held senior roles with JP Morgan and PricewaterhouseCoopers in London.

Sarah has been a director of charitable organisations, including Cure Cancer Australia Foundation and Make A Mark Australia. Sarah holds an honours degree in engineering physics from Loughborough University.

Directors' Report (continued)

Directors' Information (continued)

Trevor Carroll – Independent Director

Trevor Carroll has been a Director of the Company since 27 March 2017. Trevor was formerly Australia and New Zealand CEO of Electrolux Home Products. With over 30 years' experience in consumer-focused product strategy, brand marketing, and manufacturing, Trevor's experience extends to membership of the Electrolux Global Product Council, which is responsible for product development worldwide. Following retirement as CEO, Trevor undertook a role in Shanghai, advising Electrolux China on product strategy. In recent years, Trevor has been a director of The Good Guys, Fusion Retail Brands, Big Sister Food Group, and Crane Group.

He is an emeritus member of the Australian Industry Group Board, where he was National President between 2006 and 2008.

Trevor holds a Bachelor of Commerce from Canterbury University (NZ).

Warwick Evans – Non-Independent Director

Warwick Evans has been a Director of the Company since 20 October 2017. Warwick is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Emerging Opportunities Company Limited (ASX: NCC) and Chair of NAOS Asset Management Limited, the Investment Manager.

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

Warwick holds a Bachelor of Commerce majoring in economics from the University of New South Wales.

Sebastian Evans – Non-Independent Director

Sebastian Evans has been a Director of the Company since 20 October 2017. Sebastian is also a Director of NAOS Ex-50 Opportunities Company Limited (ASX: NAC), NAOS Emerging Opportunities Company Limited (ASX: NCC) and has held the positions of Chief Investment Officer (CIO) and Managing Director of NAOS Asset Management Limited, the Investment Manager, since 2010.

Sebastian is the CIO across all investment strategies. He holds a Master of Applied Finance (MAppFin) majoring in investment management, as well as a Bachelor of 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.

Company Secretary

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

Name	Appointment Date	Period of Office
Rajiv Sharma	12 March 2021	12 March 2021 – Present
Sebastian Evans	10 July 2019	10 July 2019 – Present

Company Secretary Information

Rajiv Sharma – Company Secretary

Rajiv is Head of Legal & Compliance at NAOS Asset Management and 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.

Rajiv has over 14 years' experience, having most recently held senior legal roles at Custom Fleet, part of Element Fleet Management Group (TSX: EFN) and Magellan Financial Group (ASX: MFG). He has also previously worked at law firms Johnson Winter & Slattery and Clayton Utz.

Rajiv is a member of the Law Society of New South Wales, and is admitted to the Supreme Court of New South Wales and the High Court of Australia.

Directors' Report (continued)

Meetings of Directors

The following table shows the number of Board meetings held during the financial year ended 30 June 2024.

Year ended 30 June 2024	Eligible to attend	Attended
David Rickards (Chair)	11	10
Sarah Williams (Director)	11	11
Trevor Carroll (Director)	11	10
Warwick Evans (Director)	11	10
Sebastian Evans (Director)	11	11

Review of Operations

The Company's operating loss before tax for the year ended 30 June 2024 was \$34,236,589 (30 June 2023: operating profit before tax of \$563,100), and operating loss after tax for the year was \$24,281,501 (30 June 2023: operating profit after tax of \$2,609,561). In a challenging year for the Company, the Investment Portfolio returned -22.93% for the financial year, compared to the benchmark S&P/ASX Small Ordinaries Accumulation Index (XSOAI), which returned +9.34% for the financial year.

The post-tax Net Tangible Asset (NTA) value per share of the Company has decreased from \$0.81 to \$0.59 over the course of the financial year, which was mainly driven by the return of the Investment Portfolio. The impact of gearing in the Company magnified the impact of the investment portfolio performance on the NTA per share. The Company also paid 5.0 cents per share of fully franked dividends to shareholders during the year.

The on-market share buyback continued to be active during the financial year to take advantage of the discount of the share price relative to NTA. During the financial year, a total of 2,909,359 shares were bought back for a total consideration of \$1,987,492. The buyback of shares by the Company at a discount is accretive to NTA per share and as such the Board considers the buyback program to be an effective use of the Company's capital and thus in the interests of all shareholders.

Please refer to the Investment Manager's Review on page 13 for further information regarding the performance of the Company.

Financial Position

The net tangible asset value of the Company as at 30 June 2024 was \$79,159,124 (2023: \$112,202,901). Further information on the financial position of the Company is included in the Chair's Letter.

Dividends Paid or Payable

Year ended 30 June 2024	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2023 Final quarterly dividend (declared on 22 August 2023)	1.25	1,703	100%	27 September 2023
2024 First quarterly interim dividend (declared on 19 October 2023)	1.25	1,696	100%	30 November 2023
2024 Second quarterly interim dividend (declared on 22 February 2024)	1.25	1,688	100%	5 April 2024
2024 Third quarterly interim dividend (declared on 17 April 2024)	1.25	1,688	100%	5 June 2024
		6,775		

Directors' Report (continued)

Dividends Paid or Payable (continued)

Year ended 30 June 2023	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2022 Final quarterly dividend (declared on 18 August 2022)	1.05	1,498	100%	21 September 2022
2023 First quarterly interim dividend (declared on 18 October 2022)	1.25	1,773	100%	30 November 2022
2023 Second quarterly interim dividend (declared on 23 February 2023)	1.25	1,736	100%	31 March 2023
2023 Third quarterly interim dividend (declared on 19 April 2023)	1.25	1,730	100%	5 June 2023
		6,737		

Since 30 June 2024, the Company has declared a final quarterly dividend of 1.25 cents per share, fully franked, to be paid on 30 September 2024.

Significant Changes in State of Affairs

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

Subsequent Events

On 22 August 2024, the Company declared a fully franked quarterly dividend of 1.25 cents per share, payable on 30 September 2024.

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

Likely Developments

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

Environmental Regulation and Performance

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

Indemnification of Directors, Officers and Auditors

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

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

Rounding

The Company has applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company.

Directors' Report (continued)

Non-Audit Services

No non-audit services were provided by Deloitte Touche Tohmatsu during the year. Refer to Note 12 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 45.

Remuneration Report – Audited

The Directors of the Company present the Remuneration Report to shareholders. The report is a requirement under section 300A(1) of the *Corporations Act 2001* 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. The maximum amount is currently \$750,000 (including superannuation contributions) as approved by shareholders at the 2013 AGM.

Directors' remuneration received for the year ended 30 June 2024 and 30 June 2023 are disclosed below:

	Short-term employee benefits Directors' fees \$	Post- employment benefit Superannuation \$	Total \$
30 June 2024			
David Rickards (Chair)	31,532	3,468	35,000
Sarah Williams (Director)	22,522	2,478	25,000
Trevor Carroll (Director)	22,522	2,478	25,000
Warwick Evans (Director)	22,522	2,478	25,000
Total	99,098	10,902	110,000

	Short-term employee benefits Directors' fees \$	Post- employment benefit Superannuation \$	Total \$
30 June 2023			
David Rickards (Chair)	27,903	2,930	30,833
Sarah Williams (Director)	19,325	2,029	21,354
Trevor Carroll (Director)	26,395	2,771	29,166
Warwick Evans (Director)	22,624	2,376	25,000
Total	96,247	10,106	106,353

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

Directors' Report (continued)
Remuneration Report – Audited (continued)

Interest in shares and options of the Company

During the year ended 30 June 2024 and the year ended 30 June 2023, the relevant interests of the Directors and their related parties in the shares and bonus options of the Company were as follows:

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2024	No of shares	No of shares	No of shares	No of shares
David Rickards (Chair)	378,214	23,810	–	402,024
Sarah Williams (Director)	24,500	2,011	–	26,511
Trevor Carroll (Director)	212,979	–	–	212,979
Warwick Evans (Director)	674,626	55,376	–	730,002
Sebastian Evans (Director)	1,257,600	82,345	–	1,339,945

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2023	No of shares	No of shares	No of shares	No of shares
David Rickards (Chair)	353,484	24,730	–	378,214
Sarah Williams (Director)	–	24,500	–	24,500
Trevor Carroll (Director)	206,318	6,661	–	212,979
Warwick Evans (Director)	630,514	44,112	–	674,626
Sebastian Evans (Director)	1,257,600	–	–	1,257,600

Bonus options	Opening balance	Acquired	Expired	Closing balance
Year ended 30 June 2024	No of bonus options	No of bonus options	No of bonus options	No of bonus options
David Rickards (Chair)	111,256	–	(111,256)	–
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	(63,861)	–
Warwick Evans (Director)	195,161	–	(195,161)	–
Sebastian Evans (Director)	386,166	–	(386,166)	–

Bonus options	Opening balance	Issued	Exercised	Closing balance
Year ended 30 June 2023	No of bonus options	No of bonus options	No of bonus options	No of bonus options
David Rickards (Chair)	111,256	–	–	111,256
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	–	63,861
Warwick Evans (Director)	195,161	–	–	195,161
Sebastian Evans (Director)	386,166	–	–	386,166

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Directors' Report (continued)

Remuneration Report – Audited (continued)

Interest in shares and options of the Company (continued)

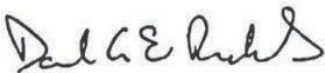
The following table summarises Company performance and Directors' remuneration over 5 years:

	2024	2023	2022	2021	2020
Operating profit/(loss) after tax (\$'000)	(24,282)	2,610	(19,788)	51,527	1,412
Fully franked dividends (cents per share)	5.00	5.00	5.00	5.00	4.00
NTA after tax (\$ per share)	0.59	0.81	0.84	1.02	0.73
Total Directors' remuneration (\$)	110,000	106,353	85,000	85,000	85,000
Shareholder's equity (\$'000)	79,159	112,203	120,401	156,215	115,842
Share price (\$)	0.44	0.68	0.73	0.98	0.45

Director fees are not linked to the Company's performance.

End of Remuneration Report – Audited.

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



David Rickards OAM

Independent Chair

22 August 2024

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Auditor's Independence Declaration



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22 August 2024

The Board of Directors

NAOS Small Cap Opportunities Company Limited
Level 34, 25 Martin Place
Sydney NSW 2000

Dear Directors,

Auditor's Independence Declaration to NAOS Small Cap 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 those charged with governance of NAOS Small Cap Opportunities Company Limited.

As lead audit partner for the audit of the financial report of NAOS Small Cap Opportunities Company Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

A handwritten signature in black ink, appearing to read "Jonathon Corbett".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu".

Jonathon Corbett
Partner
Chartered Accountants

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Independent Auditor’s Report

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Independent Auditor’s Report to the Members of
NAOS Small Cap Opportunities Company Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of NAOS Small Cap Opportunities Company Limited (the “Company”) which comprises the statement of financial position as at 30 June 2024, statement of 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 material accounting policy information and other explanatory information, the directors’ declaration and the Consolidated Entity Disclosure Statement.

In our opinion, the accompanying financial report of the NAOS Small Cap Opportunities Company Limited is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company’s financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- 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 & Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the 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
<u>Valuation and existence of Level 1 financial assets held at fair value through profit or loss</u> The Company’s listed equity securities are the most significant driver of the Company’s net tangible assets and the profit or loss attributable to shareholders.	Our procedures included, but were not limited to: • Evaluating key controls in place at the outsourced service providers (i.e. administrator and custodian) in relation to the valuation and existence of financial assets at fair value through profit or loss, including any exceptions noted;

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



As at 30 June 2024, the Company's listed equity securities held at fair value through profit or loss totaled circa \$99.5 million as disclosed in Notes 7 and 17.

Listed equity securities are fair valued using the unadjusted last sale price quoted on the Australian Securities Exchange. Changes in the fair value of the listed securities are recognised through profit or loss.

Given the significance of the listed equity securities, the key audit matter is whether the Company has ownership of the listed equity securities and has accurately recorded the fair value movements for the reporting period.

- Obtaining confirmation of the investment holdings directly from the custodian;
- On a sample basis, agreeing the valuation of listed equity securities to an independent pricing source;
- On a sample basis, agreeing the investment holdings to the external custodian's holdings statement; and
- Reperforming a reconciliation of the financial assets balance for the period ended 30 June 2024, including purchases, sales, other relevant transactions.

We also assessed the appropriateness of the disclosures in Notes 7 and 17 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, 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 of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities 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 skepticism 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.

Deloitte.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 44 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of NAOS Small Cap Opportunities Company Limited for the year ended 30 June 2024, 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



Jonathon Corbett
Partner
Chartered Accountants
Sydney, 22 August 2024

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2024

	Notes	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Income	3	(30,063)	5,236
Expenses			
Management fees	16	(1,453)	(1,767)
Interest expense	9	(1,585)	(1,573)
Transaction costs		(86)	(291)
Listing, custody and registry fees		(252)	(253)
Legal and professional fees		(110)	(55)
Amortisation costs		(186)	(186)
Directors' remuneration expense		(110)	(106)
Other expenses from ordinary activities		(392)	(442)
(Loss)/profit before income tax benefit/(expense)		(34,237)	563
Income tax benefit	4(a)	9,955	2,047
(Loss)/profit for the year attributable to shareholders of the Company		(24,282)	2,610
Other comprehensive income for the year, net of tax		–	–
Total comprehensive (loss)/income for the year attributable to shareholders of the Company		(24,282)	2,610
Basic and diluted (loss)/earnings per share (cents per share)	18	(17.91)	1.86

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

Statement of Financial Position as at 30 June 2024

	Notes	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	13(a)	360	319
Trade and other receivables	6	45	150
Prepayments		95	97
Financial assets at fair value through profit or loss	7	99,539	142,305
Total current assets		100,039	142,871
Non-current assets			
Deferred tax assets	4(b)	11,533	4,392
Total non-current assets		11,533	4,392
Total assets		111,572	147,263
Liabilities			
Current liabilities			
Trade and other payables	8	321	340
Borrowings	9	32,092	–
Total current liabilities		32,413	340
Non-current liabilities			
Deferred tax liabilities	4(c)	–	2,814
Borrowings	9	–	31,906
Total non-current liabilities		–	34,720
Total liabilities		32,413	35,060
Net assets		79,159	112,203
Equity			
Issued capital	10	176,778	178,765
Profits reserve	11(a)	16,765	23,540
Accumulated losses	11(b)	(114,384)	(90,102)
Total equity		79,159	112,203

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 2024

	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	182,836	30,277	(92,712)	120,401
Profit for the year	–	–	2,610	2,610
Dividends paid	–	(6,737)	–	(6,737)
Purchase of shares on-market for DRP	(1,043)	–	–	(1,043)
DRP shares allotted	1,043	–	–	1,043
Shares bought back from shareholders	(4,071)	–	–	(4,071)
Balance at 30 June 2023	178,765	23,540	(90,102)	112,203
	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	178,765	23,540	(90,102)	112,203
Loss for the year	–	–	(24,282)	(24,282)
Dividends paid	–	(6,775)	–	(6,775)
Purchase of shares on-market for DRP	(1,031)	–	–	(1,031)
DRP shares allotted	1,031	–	–	1,031
Shares bought back from shareholders	(1,987)	–	–	(1,987)
Balance at 30 June 2024	176,778	16,765	(114,384)	79,159

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 2024

	Notes	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Cash flows from operating activities			
Payments for purchase of investments		(12,606)	(36,455)
Proceeds from sale of investments		18,759	43,802
Dividends received		6,519	7,524
Interest received		29	11
Interest paid to note holders		(1,592)	(1,565)
Other payments		(2,306)	(2,649)
Net cash provided by operating activities	13(b)	8,803	10,668
Cash flows from financing activities			
Purchase of shares on-market for DRP		(1,031)	(1,043)
Dividends paid net of amounts reinvested		(5,744)	(5,694)
Share buybacks		(1,987)	(4,071)
Net cash used in financing activities		(8,762)	(10,808)
Net increase/(decrease) in cash and cash equivalents		41	(140)
Cash and cash equivalents at the beginning of the year		319	459
Cash and cash equivalents at the end of the year	13(a)	360	319

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

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Notes to the Financial Statements

General Information

NAOS Small Cap Opportunities Company Limited (the Company) is a public company listed on the Australian Securities Exchange (ASX: NSC) registered and domiciled in Australia. The Company was constituted on 14 January 2004 and commenced operations on 25 March 2004.

The registered office and principal place of business of the Company is Level 34, 25 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 22 August 2024.

1. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

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 these 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.

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 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. Refer to Note 1(s) for critical accounting judgements and key sources of estimation uncertainty.

b) Prior Year Comparatives

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

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. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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, dividend income, or other income.

Notes to the Financial Statements (continued)

1. Summary of Material Accounting Policies (continued)

f) Revenue and Income Recognition (continued)

Dividends

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

Interest income

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

g) Cash and Cash Equivalents

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

h) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 *Financial Instruments: Presentation*, are categorised in accordance with AASB 9 *Financial Instruments*. This classification is determined by the purpose underpinning the acquisition of the investment.

(i) Initial recognition, measurement and derecognition

The Company recognises financial assets and financial liabilities on the date that it becomes party to the contractual agreement (trade date).

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

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

(ii) Classification and subsequent measurement

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

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

Financial liabilities

Financial liabilities include trade and other payables, and borrowings. Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ('ECL') on financial assets excluding investments that are measured at fair value through profit and loss.

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

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

i) Expenses

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

Notes to the Financial Statements (continued)

1. Summary of Material Accounting Policies (continued)

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 tax and movements in deferred tax.

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

Current and deferred tax expense/(benefit) 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 substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, 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, and where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

m) Dividends

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

n) Share Capital

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

o) Profits Reserve

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

p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The GST incurred on the costs of various services provided to the Company by third parties such as custodial services and investment management fees have been passed onto the Company. The Company qualifies for Reduced Input Tax Credits ("RITC") hence, investment management fees, custodial fees and certain other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office ("ATO").

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements (continued)**1. Summary of Material Accounting Policies (continued)****q) Earnings per Share**

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

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 year.

r) Rounding of Amounts

The Company has applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Income Tax

The Company has recognised deferred tax assets relating to current and prior period tax losses of \$5,823,717, and unrealised losses on investments of \$5,675,416 as at 30 June 2024. The utilisation of deferred tax assets depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is supported by the Investment Manager's long-term performance and profitability. New information may become available that may cause the Company to change its judgement regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made.

2. Adoption of New and Revised Accounting Standards**New or Amended Accounting Standard and Interpretations Adopted in the Current Period**

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

New Accounting Standards and Interpretations not yet Adopted

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

3. Income

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Net losses on financial assets held at fair value through profit or loss	(36,611)	(2,299)
Interest income	29	11
Dividend income	6,519	7,524
Total income	(30,063)	5,236

4. Income Tax

a) Income Tax Benefit

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

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Prima facie income tax (benefit)/expense calculated at 25% (2023: 30%)	(8,560)	169
Less the tax effect of:		
Imputation credit gross up	698	950
Franking credit offset	(2,793)	(3,166)
Impact of change in tax rate	700	–
	(9,955)	(2,047)
Effective tax rate	29%	(365%)
	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Total income tax benefit results in a:		
Change in deferred tax liability	(2,814)	1,849
Change in deferred tax asset	(7,141)	(3,896)
	(9,955)	(2,047)

b) Deferred Tax Assets

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Tax losses	5,824	4,355
Accruals	26	17
Capitalised issue costs	8	20
Unrealised losses on investments	5,675	–
	11,533	4,392
	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Movement in deferred tax assets		
Balance at the beginning of the period	4,392	496
Credited to the Statement of Profit or Loss and Other Comprehensive Income	7,141	3,896
At reporting date	11,533	4,392

Notes to the Financial Statements (continued)

4. Income Tax (continued)

c) Deferred Tax Liabilities

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Temporary differences in relation to:		
Unrealised gains on investments	–	2,814
	–	2,814

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Movement in deferred tax liabilities		
Balance at the beginning of the year	2,814	965
Credited to the Statement of Profit or Loss and Other Comprehensive Income	(2,814)	1,849
At reporting date	–	2,814

5. Dividends Paid

Year ended 30 June 2024	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2023 Final quarterly dividend (declared on 22 August 2023)	1.25	1,703	100%	27 September 2023
2024 First quarterly interim dividend (declared on 19 October 2023)	1.25	1,696	100%	30 November 2023
2024 Second quarterly interim dividend (declared on 22 February 2024)	1.25	1,688	100%	5 April 2024
2024 Third quarterly interim dividend (declared on 17 April 2024)	1.25	1,688	100%	5 June 2024
		6,775		

Year ended 30 June 2023	Dividend (cents per share)	Total amount \$'000	% Franked	Date of payment
2022 Final quarterly dividend (declared on 18 August 2022)	1.05	1,498	100%	21 September 2022
2023 First quarterly interim dividend (declared on 18 October 2022)	1.25	1,773	100%	30 November 2022
2023 Second quarterly interim dividend (declared on 23 February 2023)	1.25	1,736	100%	31 March 2023
2023 Third quarterly interim dividend (declared on 19 April 2023)	1.25	1,730	100%	5 June 2023
		6,737		

Notes to the Financial Statements (continued)

5. Dividends Paid (continued)

Dividend Franking Information

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
Franking credits available for shareholders from previous financial years	614	334
Impact on the franking account of dividends paid during the year	(2,903)	(2,887)
Impact on the franking account of dividends received during the year	2,794	3,167
Franking account balance at reporting date	505	614

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

6. Trade and Other Receivables

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Unsettled trade receivables	6	100
Other receivables	39	50
Total	45	150

Receivables are non-interest bearing and unsecured. Outstanding trades, i.e. "Unsettled trade receivables", are on the terms operating in the investment management industry, which usually require settlement within two days of the date of the transaction. None of the receivables are past due or impaired at the end of the reporting period (2023: nil).

7. Investments in Financial Instruments

Financial Assets at Fair Value through Profit or Loss

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Investments in listed equities	99,539	142,149
Investments in listed options	–	156
Total financial assets at fair value through profit or loss	99,539	142,305

Financial Liabilities at Fair Value through Profit or Loss

There were no financial liabilities at fair value through profit or loss as at 30 June 2024 (2023: Nil).

Disclosed Fair Values

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

Notes to the Financial Statements (continued)

8. Trade and Other Payables

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Unsettled trades payable	17	27
Other payables	304	313
Total	321	340

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

9. Borrowings

The Company has on issue \$32.2 million unsecured notes with a 5-year term, carrying an interest entitlement of 4.95% per annum. Interest is paid half-yearly on 3 June and 3 December. As at 30 June 2024, a total of \$72,660 interest is payable on the notes. The unsecured notes are due for repayment on 3 December 2024. Terms of the unsecured notes are regulated under a trust deed between the Company and Equity Trustees Limited.

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Opening balance of unsecured notes	31,906	31,720
Add amortisation of costs for period	186	186
At reporting date	32,092	31,906

10. Issued Capital

	30 June 2024		30 June 2023	
	No of Shares	\$'000	No of Shares	\$'000
Issued and paid-up capital – ordinary shares	134,973,666	176,778	137,882,856	178,765

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

Each share will confer on its holder:

- the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the *Corporations Act 2001*;
- the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per share) subject to the rights and restrictions on voting which may attach to or be imposed on shares (at present there are none);
- the right to receive dividends;
- the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to the rights of a liquidator of the Company (with consent of members by special resolution); and
- subject to the *Corporations Act 2001* and the ASX Listing Rules, shares are fully transferable.

Notes to the Financial Statements (continued)

10. Issued Capital (continued)

Movements in Ordinary Share Capital

	No of shares	\$'000
Opening balance 1 July 2022	143,720,906	182,836
Purchase of shares on market for DRP	(1,481,875)	(1,043)
DRP shares allotted	1,481,875	1,043
Shares bought back	(5,838,050)	(4,071)
Closing balance 30 June 2023	137,882,856	178,765
Opening balance 1 July 2023	137,882,856	178,765
Purchase of shares on market for DRP	(1,638,679)	(1,031)
DRP shares allotted	1,638,679	1,031
Shares bought back	(2,909,190)	(1,987)
Closing balance 30 June 2024	134,973,666	176,778

11. Profits Reserve and Accumulated Losses

a) Profits Reserve

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Opening balance	23,540	30,277
Dividends paid	(6,775)	(6,737)
Balance at reporting date	16,765	23,540

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

b) Accumulated Losses

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Balance at the beginning of the year	(90,102)	(92,712)
(Loss)/profit for the year attributable to the members of the company	(24,282)	2,610
Balance at reporting date	(114,384)	(90,102)

12. Auditor's Remuneration

	Year ended 30 June 2024 \$	Year ended 30 June 2023 \$
Audit and other assurance services – Deloitte Touche Tohmatsu		
Audit and review of financial reports	65,500	60,200
Total remuneration for audit and other assurance services	65,500	60,200

Notes to the Financial Statements (continued)

13. Cash and Cash Equivalents**a) Components of Cash and Cash Equivalents**

	As at 30 June 2024 \$'000	As at 30 June 2023 \$'000
Cash at bank	360	319

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

	Year ended 30 June 2024 \$'000	Year ended 30 June 2023 \$'000
(Loss)/profit for the year attributable to shareholders after tax	(24,282)	2,610
Adjustments for:		
Amortisation expense on unsecured notes	186	186
Change in value of financial assets designated at fair value through profit or loss	42,766	9,808
Income tax benefit recognised in the Statement of Profit or Loss and Other Comprehensive Income	(9,955)	(2,047)
Change in assets and liabilities		
Decrease in trade and other receivables	105	605
Decrease in trade and other payables	(17)	(494)
Net cash provided by operating activities	8,803	10,668

14. Key Management Personnel**a) Key Management Personnel Compensation**

The remuneration of the Company's key management personnel and their related entities for the year ended 30 June 2024 was \$110,000 (2023: \$106,353).

Other than the disclosure at Note 16 there were no shares granted during the reporting period as compensation to the Directors. Transactions with related parties have taken place at arms-length and in the ordinary course of business.

b) Related Party Shareholdings*NAOS Asset Management Limited*

The Company has outsourced its investment management function to NAOS Asset Management Limited. As at 30 June 2024, NAOS Asset Management Limited holds 1,314,363 shares (2023: 1,257,600 shares) and nil bonus options (2023: 386,166 bonus options) in the Company. Other than the disclosure at Note 16 and above there was no interest in the Company held by other entities also managed by the key management personnel.

Notes to the Financial Statements (continued)

14. Key Management Personnel (continued)

b) Related Party Shareholdings (continued)

Holdings of Shares by Key Management Personnel

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

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2024	No of shares	No of shares	No of shares	No of shares
David Rickards (Chair)	378,214	23,810	–	402,024
Sarah Williams (Director)	24,500	2,011	–	26,511
Trevor Carroll (Director)	212,979	–	–	212,979
Warwick Evans (Director)	674,626	55,376	–	730,002
Sebastian Evans (Director)	1,257,600	82,345	–	1,339,945

Ordinary shares	Opening balance	Acquired	Sold	Closing balance
Year ended 30 June 2023	No of shares	No of shares	No of shares	No of shares
David Rickards (Chair)	353,484	24,730	–	378,214
Sarah Williams (Director)	–	24,500	–	24,500
Trevor Carroll (Director)	206,318	6,661	–	212,979
Warwick Evans (Director)	630,514	44,112	–	674,626
Sebastian Evans (Director)	1,257,600	–	–	1,257,600

Bonus options	Opening balance	Acquired	Expired	Closing balance
Year ended 30 June 2024	No of bonus options	No of bonus options	No of bonus options	No of bonus options
David Rickards (Chair)	111,256	–	(111,256)	–
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	(63,861)	–
Warwick Evans (Director)	195,161	–	(195,161)	–
Sebastian Evans (Director)	386,166	–	(386,166)	–

Bonus options	Opening balance	Issued	Exercised	Closing balance
Year ended 30 June 2023	No of bonus options	No of bonus options	No of bonus options	No of bonus options
David Rickards (Chair)	111,256	–	–	111,256
Sarah Williams (Director)	–	–	–	–
Trevor Carroll (Director)	63,861	–	–	63,861
Warwick Evans (Director)	195,161	–	–	195,161
Sebastian Evans (Director)	386,166	–	–	386,166

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 year, and there were no material contracts involving key management personnel's interests existing at year end.

Notes to the Financial Statements (continued)

15. Segment Information

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

16. Related Party Information

Transactions with related parties have taken place at arms-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 rate equal to 0.0958% (excluding GST) of the gross value of the portfolio calculated on the last business day of each month representing an annualised management fee rate of 1.15% (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 2024:

- Management fees of \$1,453,358 (2023: \$1,766,905) (excluding RITC*) were incurred during the year.
- Management fees payable at 30 June 2024 were \$105,064 (2023: \$150,237) (including RITC*).

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

Performance Fees

In the event that the investment portfolio outperforms the Benchmark Index (being the S&P/ASX Small Ordinaries Accumulation Index (XSOAI)), the Investment Manager is entitled to an annual performance fee equal to 20% (excluding GST) of the amount the portfolio outperforms the Benchmark Index. 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. No performance fees were paid or payable to the Investment Manager for the year ended 30 June 2024 (2023: \$nil).

In addition, the Company has a services agreement with the Investment Manager to provide the use of premises and facilities, company secretarial, administrative, financial and accounting services. For the year ended 30 June 2024 the fees paid to the Investment Manager were \$180,000 (2023: \$180,000).

17. Financial Risk Management

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 (including price risk and interest rate risk), liquidity risk, market risk and risks relating to fair value.

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 receivables and payables, 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 under policies approved by the Board.

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

a) Credit Risk

Credit risk represents the risk that the Company will incur financial loss as a result of a failure by a counterparty to discharge a contractual obligation to a financial instrument. The Investment Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging them.

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

Notes to the Financial Statements (continued)

17. Financial Risk Management (continued)

a) Credit Risk (continued)

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

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

b) Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and other price risks and liquidity. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

(i) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The unsecured notes that were issued on 4 December 2019 and 12 July 2021 pay a fixed rate of 4.95% per annum, payable half-yearly on 3 June and 3 December each year until 3 December 2024.

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

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2024			
Assets			
Cash and cash equivalents	360	–	360
Receivables	–	45	45
Financial assets at fair value through profit or loss	–	99,539	99,539
Total Assets	360	99,584	99,944
Liabilities			
Trade and other payables	–	321	321
Total Liabilities	–	321	321
Net exposure	360	99,263	99,623

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2023			
Assets			
Cash and cash equivalents	319	–	319
Receivables	–	150	150
Financial assets at fair value through profit or loss	–	142,305	142,305
Total Assets	319	142,455	142,774
Liabilities			
Trade and other payables	–	340	340
Total Liabilities	–	340	340
Net exposure	319	142,115	142,434

Notes to the Financial Statements (continued)**17. Financial Risk Management (continued)****b) Market Risk (continued)****(i) Interest Rate Risk (continued)**

The sensitivity analyses below have been determined based on the Company's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 250 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 \$'000
30 June 2024		
AUD interest rate	250bps/(250bps)	9/(9)
30 June 2023		
AUD interest rate	250bps/(250bps)	8/(8)

(ii) Price Risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from 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.

As at 30 June 2024 and 30 June 2023, a 10% sensitivity would have had an impact in the Company's Statement of Profit or Loss and Other Comprehensive Income and net assets attributable to shareholders as shown in the table below:

	Impact on operating profit/net assets attributable to shareholders	
	-10% \$'000	+10% \$'000
30 June 2024	(9,954)	9,954
30 June 2023	(14,231)	14,231

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

	% of Portfolio	
Industry	30 June 2024	30 June 2023
Financials	37.55%	35.28%
Construction Materials	27.36%	38.35%
Commercial & Professional Services	20.41%	9.93%
Industrials	14.66%	16.44%
Information Technology	0.02%	0.00%
Total	100.00%	100.00%

c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the Investment Manager.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received or other capital management initiatives that may be implemented by the Board from time to time. The Investment Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount, the Company can alter its cash outflows as appropriate. The assets of the Company are largely in the form of tradeable securities which (if liquidity is available) can be sold on the market if necessary.

Notes to the Financial Statements (continued)

17. Financial Risk Management (continued)

c) Liquidity Risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2024 and 30 June 2023 to the contractual maturity date.

	Less than 1 year \$'000	> 1 year to 2 years \$'000	2 to 5 years \$'000	Total \$'000	Carrying amount \$'000
30 June 2024					
Trade and other payables	321	–	–	321	321
Borrowings	32,171	–	–	32,171	32,092
Total	32,492	–	–	32,492	32,413
	Less than 1 year \$'000	> 1 year to 2 years \$'000	2 to 5 years \$'000	Total \$'000	Carrying amount \$'000
30 June 2023					
Trade and other payables	340	–	–	340	340
Borrowings	–	32,171	–	32,171	31,906
Total	340	32,171	–	32,511	32,246

The amounts in the table are the contractual undiscounted cash flows.

d) Fair Value Hierarchy

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

Level 1:

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

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

Level 2:

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

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 presents the Company's financial assets and liabilities measured and recognised at fair value at 30 June 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2024				
Financial assets				
Listed equities	99,539	–	–	99,539
Total	99,539	–	–	99,539

Notes to the Financial Statements (continued)**17. Financial Risk Management (continued)****d) Fair Value Hierarchy (continued)**

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed equities	142,149	–	–	142,149
Listed options	156	–	–	156
Total	142,305	–	–	142,305

e) Capital Management

The Company's objectives for managing capital are:

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

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

18. Earnings per Share

	Year ended 30 June 2024 Cents	Year ended 30 June 2023 Cents
Basic and diluted (loss)/earnings per share	(17.91)	1.86
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	135,583,305	140,648,952
	\$'000	\$'000
Net (loss)/profit used in the calculation of basic and diluted earnings/(loss) per share	(24,282)	2,610

19. Commitments and Contingencies

There are no commitments and contingencies as at 30 June 2024 (30 June 2023: nil).

20. Subsequent Events

On 22 August 2024, the Company declared a fully franked quarterly dividend of 1.25 cents per share payable on 30 September 2024.

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

Consolidated Entity Disclosure Statement as at 30 June 2024

Subsection 295(3A)(a) of the Corporations Act 2001 does not apply to the Company as the Company is not required to prepare consolidated financial statements by Australian Accounting Standards.

Directors' Declaration

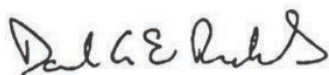
In accordance with a resolution of the Directors of NAOS Small Cap Opportunities Company Limited, we declare that:

In the opinion of the Directors:

- the financial statements and notes are in accordance with the *Corporations Act 2001*, including compliance with the Corporations Regulations 2001, 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 2024;
- 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;
- the Directors have received the declarations required by section 295A of the *Corporations Act 2001*; and
- the consolidated entity disclosure statement required by subsection 295(3A) of the *Corporations Act 2001* is true and correct.

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



David Rickards OAM

Independent Chair

22 August 2024

Additional Information

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

Investment Portfolio

As at 30 June 2024 the Company held the following investments:

Big River Industries Limited	Move Logistics Group Limited
BSA Limited	Qualitas Limited
COG Financial Services Limited	Saunders International Limited
Gentrack Group Limited	Urbanise.com Limited
Maxiparts Limited	

During the financial year ended 30 June 2024, the Company had 288 (2023: 612) transactions in investment securities. Total brokerage fees incurred during the year ended 30 June 2024 were \$86,040 (2023: \$277,527).

20 Largest Shareholders

Details of the 20 largest ordinary shareholders along with their respective holdings as at 31 July 2024.

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	11,518,559	8.54%
Gold Tiger Investments Pty Ltd	2,175,000	1.61%
BNP Paribas Nominees Pty Ltd	1,818,935	1.35%
NAOS Asset Management Limited	1,338,705	0.99%
HSBC Custody Nominees (Australia) Limited	1,284,814	0.95%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	1,210,807	0.90%
Beck Havas Pty Ltd	1,180,000	0.87%
Somoke Pty Limited	1,175,216	0.87%
Angus Mac Pty Ltd	1,163,452	0.86%
Mr Reginald George Kenneth Nealie & Mrs Teresa Nealie	900,000	0.67%
Mr James Vincent Chester Guest & Mrs Sarah Louise Guest	891,764	0.66%
Lonceta Pty Ltd	766,500	0.57%
W W E Investments Pty Ltd	730,002	0.54%
Carmant Pty Ltd	720,235	0.53%
Mrs Ida Rubin & Mr Ian Rubin & Mr Yuly Rubin	600,000	0.44%
R & B Invest Pty Ltd	575,770	0.43%
Certane CT Pty Ltd	566,181	0.42%
Radell Pty Ltd	548,498	0.41%
Deemtene Pty Limited	539,732	0.40%
Mrs Julie Anne Spragge	510,000	0.38%
Total	30,214,170	22.39%

Additional Information (continued)

Substantial Shareholders

Shareholders	Ordinary shares held	% of issued shares
Citicorp Nominees Pty Limited	11,518,559	8.54%

Distribution of Ordinary Shares

Analysis of ordinary shares by size of shareholders as at 31 July 2024.

Category	Number of shareholders	Ordinary shares held	% of issued shares
1–1,000	389	128,788	0.10%
1,001–5,000	618	1,899,493	1.41%
5,001–10,000	518	4,102,619	3.04%
10,001–100,000	1,641	57,411,295	42.55%
100,001 and over	233	71,372,837	52.90%
Total	3,399	134,915,032	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 (ASX code: NSC) of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

Buyback

For the financial year ended 30 June 2024 the Company has bought back a total of 2,909,359 shares for a consideration of \$1,987,492 (2023: The Company bought back a total of 5,838,050 ordinary shares for a consideration of \$4,071,308).

Unmarketable Parcels

As at 31 July 2024 the number of shareholdings held in less than marketable parcels was 399.

Unquoted Securities

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

Restrictions on Shares

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

Corporate Information

Directors

David Rickards OAM (Independent Chair)
Sarah Williams (Independent Director)
Trevor Carroll (Independent Director)
Warwick Evans (Director)
Sebastian Evans (Director)

Company Secretary

Sebastian Evans
Rajiv Sharma

Registered Office

Level 34
25 Martin Place
Sydney NSW 2000

Investment Manager

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

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Telephone: 1300 737 760

Auditor

Deloitte Touche Tohmatsu
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