

# **Thorney Opportunities Ltd**

**ABN 41 080 167 264**

## **2015 Annual Report**

# Company particulars

Thorney Opportunities Ltd is a disclosing entity under the Corporations Act 2001 and currently considered an investment entity pursuant to ASX Listing Rules. The Company is primarily an investor in listed equities on the Australian securities market.

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<b>ASX Code:</b>	TOP
<b>Security:</b>	Thorney Opportunities Ltd fully paid ordinary shares
<b>Directors:</b>	Alex Waislitz, Chairman Ashok Jacob Henry Lanzer AM Dr Gary Weiss
<b>Secretary:</b>	Craig Smith
<b>Country of incorporation</b>	Australia
<b>Registered office:</b>	Level 39, 55 Collins Street Melbourne Vic 3000
<b>Contact details:</b>	Level 39, 55 Collins Street Melbourne Vic 3000 T: + 613 9921 7116 F: + 613 9921 7100 E: <a href="mailto:craig.smith@thorney.com.au">craig.smith@thorney.com.au</a> W: <a href="http://www.thorneyopportunities.com.au">www.thorneyopportunities.com.au</a>
<b>Investment Manager:</b>	Thorney Management Services Pty Ltd Level 39, 55 Collins Street Melbourne Vic 3000 AFSL: 444369
<b>Auditor:</b>	Ernst & Young, Melbourne 8 Exhibition Street Melbourne Vic 3000
<b>Share Registry:</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 T: + 612 9290 9600 F: + 612 9279 0664 W: <a href="http://www.boardroomlimited.com.au">www.boardroomlimited.com.au</a> For all shareholder related enquiries please contact the share registry.

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<b>Annual General Meeting:</b>	<b>When:</b> Tuesday 24 November 2015 at 11:00 am Melbourne time
	<b>Where:</b> Arnold Bloch Leibler Level 21, 333 Collins Street Melbourne Vic 3000

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## Chairman's letter to Shareholders

Dear fellow shareholder,

I am pleased to report that for the year ended 30 June 2015, Thorney Opportunities Ltd (TOP) has recorded a net profit after tax (net of management fees) of \$9,373,547, a significant improvement when compared to the prior period loss after tax of \$2,669,210. The TOP net tangible assets (NTA) for the twelve month period ended 30 June 2015 is up 11.8% to 52.1 cents per share up from 46.6 cents last year. The TOP NTA reported for 31 July 2015 was 53.8 cents.

The Board of TOP is proud of this performance which has been achieved despite a volatile environment in global equity markets over the same period. The performance both confirms the stock-picking ability of the TOP investment team and the cautious investment approach which has been adopted since the recapitalisation of TOP at the end of 2013.

TOP is committed to returning value to shareholders whenever it is appropriate and prudent to do so. In this particular case, it is my view that the Accumulated Franking Credits within TOP belong to shareholders and I see little merit in them simply accumulating within the company hence, the desire to return them to shareholders in an orderly basis.

Therefore I am excited to declare TOP's inaugural dividend, \$0.005 per share, fully franked, with a record date of 18 September 2015. This dividend will be paid to shareholders on 14 October 2015. TOP will also be introducing a dividend reinvestment plan (DRP) for shareholders the details of which will be sent to shareholders shortly. It is the private Thorney Group's present intention to fully participate in the DRP. This will result in the private Thorney Group further increasing its shareholding in TOP.

Over the course of the past twelve months, I have regularly communicated with you regarding TOP's new investments and it is our intention to continue to provide regular updates on our investment portfolio. In addition we have recently launched a new website [www.thorneyopportunities.com.au](http://www.thorneyopportunities.com.au).

Equity markets, at times, adopt an often inconsistent and somewhat bewildering approach to the valuation methodology of certain listed investment companies (LICs). Some LICs can see their share price trade at a discount to the reported NTA, others at a premium. In my view, where a belief in the capabilities of the investment manager exists and a track record of NTA growth has been demonstrated, the share price of an LIC should trade at or above the NTA.

I continue to believe the TOP share price does not truly represent the intrinsic value of the TOP investment portfolio and consequently, have taken the opportunity to increase my shareholding during the year and by committing to take my dividend in the form of shares under the DRP, and not in cash, I will further increase my shareholding in TOP.

As I have outlined over the course of the past twelve months, the significant investments within the TOP investment portfolio have performed positively. After periods of change and stability, Service Stream Limited and AMA Group Limited are now focused on the execution of their respective business strategies, the benefits of which and value accretion are evident. Money3 Corporation Limited, despite a number of challenges in recent months, has continued to deliver financial results which have been above market expectations.

In more recent times, TOP has made a substantial investment in TPI Enterprises Limited and Diversa Limited and I have high hopes for them to deliver growth over the medium to long term. Since the end of the financial year, TOP has continued to add to its strategic position in Diversa Limited while TPI Enterprises Limited has completed its compliance listing on the Australian Securities Exchange. Notwithstanding a soft debut by TPI Enterprises we are still comfortable about the long term prospects for this company.

## Chairman's letter to Shareholders continued

TOP does have a number of investments where further work needs to be done. One such example is Austin Engineering Limited (ANG) which has recently completed a significant recapitalisation, in which both TOP and the private Thorney Group participated. Arguably, TOP invested a little too early in the ANG recovery however, we believe that over 2016-2017, shareholder value will be restored.

I remain very comfortable with and confident in the existing TOP portfolio positions. At the same time we still hold cash which can be deployed when further compelling investment opportunities materialise of which there are a number currently under review.

I look forward to communicating with you again over the next couple of months and seeing you at the TOP AGM in November.

On behalf of my fellow board members and investment team, I want to thank you for your continued support and interest in TOP and I look forward to a successful year ahead.



**Alex Waislitz**  
Chairman

24 August 2015

## Directors' report

The directors present their report, together with the financial statements of Thorney Opportunities Ltd (TOP or Company), for the year ended 30 June 2015 (FY15) and the auditor's report thereon. The financial statements have been reviewed and approved by directors on the recommendation of the Audit and Risk Committee.

### 1. Directors

The directors of TOP in office during the financial year and at the date of this report are as follows:

<u>Name:</u>	<u>Period of Directorship:</u>
Alex Waislitz	Director since 21 November 2013
Ashok Jacob	Director since 21 November 2013
Henry Lanzer	Director since 21 November 2013
Dr Gary Weiss	Director since 21 November 2013

#### Information on directors

##### **Alex Waislitz BEc, LLB, Non-executive Chairman**

Alex Waislitz was appointed Chairman of the Company on 21 November 2013. Mr Waislitz is the founder and Chairman of the private Thorney Investment Group, one of Australia's most successful private investment groups. He has extensive business and capital markets experience and has been a member of several public company boards.

Mr Waislitz is the current Vice President of the Collingwood Football Club Limited where he has been a director since 1998.

He served on the boards of Zoos Victoria Foundation Board and the Victorian State Government Zoological Parks and Gardens between 2010 and 2012. He joined the International Advisory Board of Maccabi World Union in 2012 and is a former member of the International Advisory Board for the MBA program at Ben Gurion University School of Management.

Mr Waislitz has established registered charities; the Waislitz Foundation (2013) and more recently the Waislitz Family Foundation (2015). These charities focus on community projects, education, health, indigenous programs and the arts.

Mr Waislitz is a graduate of Monash University in Law and Commerce and a Graduate of the Harvard Business School OPM Program.

##### **Ashok Jacob BSc, MBA, Non-executive Director**

Ashok Jacob was appointed a director of the Company on 21 November 2013. Mr Jacob is the current Chairman and Chief Investment Officer of Ellerston Capital Limited.

Mr Jacob is a current director of MRF Limited and a member of the Visy Australia Advisory Board. His previous directorships include Crown Ltd, Publishing and Broadcasting Ltd, Consolidated Press Holdings Limited, Challenger Financial Group Ltd, Fleetwood Holdings Ltd, Ecorp Ltd, CPH Investment Group Ltd, Folkestone Ltd and SnackFoods Ltd.

He holds a Master of Business Administration from the Wharton School, University of Pennsylvania and a Bachelor of Science from the University of Bangalore.

## Directors' report continued

### 1. Directors continued

#### Information on directors continued

##### **Henry D. Lanzer AM B.Com., LLB (Melb), Non-executive Director**

Henry Lanzer AM was appointed a director of the Company on 21 November 2013. Mr. Lanzer is Managing Partner of Arnold Bloch Leibler - a leading Australian commercial law firm - and has over 30 years' experience in providing legal and strategic advice to some of Australia's leading companies.

He is Chairman of the Audit and Risk Committee for Thorney Opportunities Ltd.

Mr Lanzer is also a Director of Premier Investments Ltd, a Director of Just Group Limited and a director of the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council. In June 2015 Mr Lanzer was appointed as a Member of the Order of Australia.

##### **Dr Gary Weiss LLB(Hons), LLM (with dist.), J.S.D., Non-executive Director, Lead independent Director**

Dr Gary Weiss was appointed a director of the Company on 21 November 2013. Dr Weiss has considerable expertise in financial services businesses and extensive international business experience.

He holds several other directorships including as director of Ariadne Australia Limited since November 1989 and is the current Chairman of ClearView Wealth Limited and Ridley Corporation Limited.

Other current directorships include Premier Investments Limited, The Straits Trading Company Limited, Pro-Pac Packaging Limited and Tag Pacific Limited.

Dr Weiss' previous directorships include Guinness Peat Group plc, Westfield Group, Coats plc (Chairman), Tower Australia Limited, Australian Wealth Management Limited, Tyndall Australia Limited (Deputy Chairman), Joe White Maltings Limited (Chairman), CIC Limited, Whitlam Turnbull & Co Limited and Industrial Equity Limited.

### 2. Company Secretary

##### **Craig Smith B.Bus (Acct), GIA(Cert), Secretary**

Craig Smith CPA, ACIS was appointed secretary of the Company on 21 November 2013.

Mr Smith has been the Company Secretary and Chief Financial Officer of the private Thorney Investment Group since 2008. Prior to joining Thorney, Mr Smith held CFO / Company Secretarial roles with ASX listed companies Baxter Group Limited and Tolhurst Noall Limited.

## Directors' report continued

### 3. Principal activities

Thorney Opportunities Ltd is an investment company listed on the Australian Securities Exchange (ASX: TOP). It has a portfolio of investments across various industries and securities.

The Company's primary objective is to hold investments in order to provide attractive investment returns to shareholders through capital growth in the value of the shareholders' investments as well as potentially regular dividends.

The Company's principal activities include investing in listed securities. There have been no changes in the nature of activities during the 2015 financial year.

### 4. Result

The Company's net profit after tax for the 2015 financial year was \$9,373,547 (2014: loss of \$2,669,210).

Net tangible assets were 52.1 cents per share (2014: 46.6 cents per share). Earnings per share were 5.57 cents per share (2014: loss of 2.47 cents per share).

### 5. Dividends

On 24 August 2015 the Board declared a fully franked final dividend of 0.5 cents per share (2014: \$nil).

The dividend will be paid to shareholders on 14 October 2015. The dividend of approximately \$842,184 has not been recorded as a liability in the financial accounts. The dividend will be paid to all shareholders who are duly recorded on the register of members as at 5pm on Friday, 18 September 2015.

Details of a proposed Dividend Reinvestment Plan will be announced in August 2015. As the private Thorney Group's present intention is to fully participate in the DRP, the dividend net cash outflow will be reduced by a minimum of 31%.

### 6. Review of operations

Over the course of the financial year ended 30 June 2015 the Company increased its net assets by 11.8%.

Cash and cash equivalents as at 30 June 2015 was \$33,793,023 (2014: \$53,387,315). This reduction in the balance of cash and cash equivalents reflects the steady deployment of capital into new investment opportunities. The Company continues to maintain a prudent approach to its cash management.

During the period, the Company has added new investment positions and added to existing positions in the portfolio.

Notable new investment positions added during the period include TPI Enterprises Limited and Diversa Limited, positions where the Company has a substantial shareholding position. The Company has added to its shareholding in Money3 Corporation Limited, Service Stream Limited, AMA Group Limited, each of which continue to perform well and have contributed to the strong FY15 financial performance.

The Company continues to pursue superior, risk-adjusted investment opportunities for shareholders.

## Directors' report continued

### 7. Financial position

The Investment Manager has completed the following transactions during the year which were separately announced to ASX:

Company	ASX Code	Capital invested \$
Austin Engineering Limited	ANG	3,023,101
TPI Enterprises Limited (unlisted public company at 30 June 2015)	TPE <sup>1</sup>	7,006,250
Diversa Limited	DVA	2,315,375
		12,344,726

<sup>1</sup> Listed on 13 August 2015

Net tangible asset backing per share	2015	2014
Net tangible assets (\$)	87,726,108	78,323,346
Shares on issue	168,436,720	168,363,261
Net tangible asset backing cents per share	52.1	46.6

At 30 June 2015 the Company had cash assets of \$33,793,023.

### 8. Prospects

Whilst the Company retains a substantial cash position as at 30 June 2015, the Company remains committed to maintaining its disciplined approach to investing.

The Board is cautiously optimistic that, in this economic environment, opportunities will emerge over the coming months which may be attractive to Thorney Opportunities Ltd.

### 9. Material business risks

The Company's risk management and compliance framework operated effectively throughout the financial year ensuring that the 2 main areas of risk that have been identified (investment risk and operational risk) were appropriately monitored and managed.

With an investment mandate with exposures to small to medium size capitalisation companies, TOP will always bear market risk as it invests its capital in assets that are not risk free.

### 10. Options

During the financial year option holders paid \$38,941 to exercise options to acquire 73,459 ordinary shares in TOP. Unexercised options totalling 84,014,196 lapsed on 22 April 2015.

### 11. Events subsequent to balance date

There were no events subsequent to balance date.

## Directors' report continued

### 12. 2015 Remuneration report (Audited)

This report outlines the Key Management Personnel remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of the report, Key Management Personnel are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Company.

For Thorney Opportunities Ltd the Key Management Personnel are the Non-executive Directors and the Investment Manager.

#### (a) Remuneration of Directors

The Non-executive Directors are remunerated by the Company. It is the policy of the Board to remunerate Directors at market rates commensurate with the responsibilities undertaken by Non-executive Directors. The remuneration of the Non-executive Directors is not linked to the performance of the Company.

##### *Non-executive Directors' fees*

The Non-executive Directors' base remuneration is reviewed annually. Fees paid to each Director have remained unchanged from the time of their appointment. The amount of base remuneration is not dependant on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company.

##### *Non-executive Chairman's fees*

For his role as Chairman and director of TOP, the Non-executive Chairman, Alex Waislitz, receives zero directors' fees and zero retirement benefits.

##### *Retirement benefits for Directors*

The Company does not provide retirement benefits (other than superannuation) to the Non-executive Directors. The Investment Manager does not provide retirement benefits (other than superannuation) to the Non-executive Chairman.

##### *Other benefits (including termination) and incentives*

The Company does not pay other benefits and incentives to the Non-executive Directors. The Company and the Investment Manager do not pay other benefits and incentives to the Non-executive Chairman.

#### (b) Remuneration of the Investment Manager

The Investment Manager is a corporate entity controlled by Mr Waislitz that has specified authority and responsibility in regard to the management of the Company's investment portfolio and is remunerated by the Company in accordance with the Investment Management Agreement (IMA) between the Company and the Investment Manager.

In respect of the year ended 30 June 2015, the Investment Manager was entitled to:

- a Base Fee of \$1,372,834 (GST exclusive), being a Base Fee equal to 0.75% per half year of the gross asset value of the Company, payable half-yearly in arrears, calculated as at the last business day of the relevant half-year; and
- a Performance Fee of \$2,358,125 (GST exclusive), payable in respect of the year ended 30 June 2015. The fee is the greater of zero and the amount calculated as 20% of the Increase Amount. The Increase Amount is the adjusted Net Asset Value for the current period less the Net Asset Value from the previous period and less a hurdle, equivalent to the value of any Base Fee paid or accrued. Performance fee entitlements are calculated on an annual basis, commencing on 1 July of each financial year. If there is no Increase Amount for a financial year, the shortfall is not carried forward and not deducted from any increase in future financial year(s) for the purposes of calculating future Performance Fees.

## Directors' report continued

### 12. 2015 Remuneration report (Audited) continued

#### (c) Details of Remuneration

Key Management Personnel received the following remuneration amounts:

2015	Short term benefits		Post-employment benefits	Total
	Fees \$	Other \$	Superannuation \$	
Alex Waislitz	0	0	0	0
Ashok Jacob	50,000	0	4,760	54,760
Henry Lanzer <sup>1</sup>	55,000	0	0	55,000
Dr Gary Weiss	50,000	0	4,760	54,760
Total Key Management Personnel remuneration	155,000	0	9,520	164,520

2014	Short term benefits		Post-employment benefits	Total
	Fees \$	Other <sup>4</sup> \$	Superannuation \$	
<b>Current Directors<sup>2</sup></b>				
Alex Waislitz	0	0	0	0
Ashok Jacob	29,166	0	2,699	31,865
Henry Lanzer <sup>1</sup>	32,083	0	0	32,083
Dr Gary Weiss	29,166	0	2,699	31,865
Sub-total	90,415	0	5,398	95,813
<b>Former Directors<sup>3</sup></b>				
Vaughan Webber	11,750	97,460	3,627	112,837
Colin Cowdon	5,875	27,460	3,083	36,418
Hugh Robertson	2,500	27,460	2,771	32,731
Nigel Sharp	5,875	27,460	3,083	36,418
Sub-total	26,000	179,840	12,564	218,404
Total Directors' Fees	116,415	179,840	17,962	314,217
<b>Other</b>				
Ron Hollands	124,098	0	0	124,098
Total Key Management Personnel remuneration	240,513	179,840	17,962	438,315

<sup>1</sup> Mr Lanzer's fees are paid or payable to Arnold Bloch Leibler and include GST

<sup>2</sup> Remuneration from 21 November 2013 until 30 June 2014

<sup>3</sup> Remuneration from 1 July 2013 until 21 November 2013

<sup>4</sup> Extra directors'/consulting fees for additional workload on transitional issues

There were no short-term cash profit sharing and other bonuses, non-monetary benefits, other post-employment benefits, termination benefits or share based payments to Key Management Personnel in the year.

## Directors' report continued

### 12. 2015 Remuneration report (Audited) continued

#### (d) Service Arrangements

The following service arrangements have been agreed between the Company and the Non-executive Directors with respect to remuneration and other terms of employment.

Ashok Jacob

- Commenced 21 November 2013
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of \$50,000 plus superannuation

Henry Lanzer

- Commenced 21 November 2013
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of \$50,000 (GST exclusive)

Dr Gary Weiss

- Commenced 21 November 2013
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of \$50,000 plus superannuation

#### (e) Employment agreement

The Non-executive Chairman has an employment agreement with Tiga Trading Pty Ltd, a related body corporate of the Investment Manager, not the Company.

- Commenced as Director on 21 November 2013
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- No base salary or other compensation was received from the Company
- The Director is employed under an employment agreement with Tiga Trading Pty Ltd which will continue indefinitely until terminated

#### (f) History of TOP performance

The table below summarises TOP's key financial performance indicators over the last five financial years.

As at 30 June	Earnings \$	EPS cps	Share price cps	NTA cps
2015	9,373,547	\$5.57	\$46.5	\$52.1
2014	(2,669,210)	(\$2.47)	\$44.5	\$46.6
2013	(258,150)	(\$0.81)	\$36.4	\$45.3
2012	(2,029,000)	(\$6.30)	\$37.8	\$45.2
2011	476,000	\$1.47	\$31.5	\$37.8

Earnings are for continuing operations only. The EPS, share price and NTA have all been adjusted for the 1:7 Share Consolidation that occurred on 2 December 2013.

## Directors' report continued

### 13. Directors' relevant interests

The number of TOP ordinary shares and options held in the Company by the KMP is as follows:

	Balance 21 November 2013	Additions/ (Disposals)	Balance 30 June 2014	Additions/ (Disposals)	Lapsed	Balance 30 June 2015
<b>Alex Waislitz</b>						
Shares	8,366,855	42,200,000	50,566,855	1,182,450	-	51,749,305
Options	-	25,283,428	25,283,428	-	(25,283,428)	-
<b>Ashok Jacob</b>						
Shares	1,034,934	-	1,034,934	-	-	1,034,934
Options	-	517,467	517,467	-	(517,467)	-
<b>Henry Lanzer</b>						
Shares	-	100,000	100,000	-	-	100,000
Options	-	50,000	50,000	-	(50,000)	-
<b>Dr Gary Weiss</b>						
Shares	9,971	-	9,971	-	-	9,971
Options	-	4,986	4,986	-	(4,986)	-

There have been no changes in Directors' relevant interests in shares since the end of the financial year except for Mr Alex Waislitz who has increased his holding in the Company by 198,572 shares to 51,947,877 shares, as at the date of this report. All Directors have duly notified the Australian Securities Exchange in accordance with the Corporations Act 2001 of changes in their relevant interests.

### 14. Board and committee meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2015 and the number of those meetings attended by each Director is set out below:

	Board Meetings		Audit & Risk Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a Director	No. of meetings attended
Alex Waislitz	4	4	3	3
Ashok Jacob	4	3	-	-
Henry Lanzer	4	4	3	3
Gary Weiss	4	4	-	1 <sup>1</sup>

<sup>1</sup> Whilst Mr Jacob and Dr Weiss are not formal members of the Audit & Risk Committee they are invited to attend each meeting. Dr Weiss attended 1 committee meeting during the year.

## Directors' report continued

### 15. Environmental regulation

The operations of TOP are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### 16. Indemnification and insurance of officers and auditor

TOP has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of the Company.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from any non-audit services (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### 17. Auditor's independence declaration

The Auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 15.

### 18. Non-audit services

Details of the amounts paid or payable to Ernst & Young for audit services provided during the year are set out in note 17 to the financial statements on page 38 of this report.

There were non-audit services amounting to \$5,500 performed by the Company's auditor, Ernst & Young, during the 2015 financial year.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'Alex Waislitz', with a long horizontal stroke extending to the right.

**Alex Waislitz**  
Chairman

Melbourne, 24 August 2015

## Auditor's Independence Declaration to the Directors of Thorney Opportunities Limited

In relation to our audit of the financial report of Thorney Opportunities Limited for the year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Kester Brown  
Partner  
24 August 2015

# Corporate governance statement

## 2015 Corporate governance statement

Thorney Opportunities Ltd (Thorney Opportunities, TOP or Company) is committed to developing and maintaining an effective system of corporate governance which is commensurate with the size and nature of the Company, its Board and the scope of its operations.

In the following statements we detail how the Company adheres to the 8 core principles and where there is non-adherence we disclose why it is necessary to take a different approach.

### Principle 1: Lay solid foundations for management and oversight

The primary role of the Board is to ensure the long-term prosperity of Thorney Opportunities.

The Board is responsible for a broad range of matters and will act in the best interests of the Company to ensure that the business of the Company is properly managed. The Company has no employees and its day-to-day functions and investment activities are managed by Thorney Management Services Pty Ltd (Investment Manager) pursuant to an investment Management Agreement (IMA) approved by shareholders.

The Board has adopted a [Board Charter](#) which stipulates those matters expressly reserved to the Board and which operational activities and what levels of authority have been delegated to the Investment Manager.

The Board may delegate any of these matters to individual Directors, Board Committees or the Investment Manager but any such delegation shall be in accordance with the law and the Company's [Constitution](#).

The Board meets at least quarterly. At these meetings senior managers of the Investment Manager are available to report on the Company's operations.

Before being invited to join the Board and standing for election by shareholders, all non-executive Directors have appropriate background checks. All details of directors' qualifications, skills and experience, other material directorships currently held and any related party disclosures are included in the meeting materials presented to shareholders.

Service arrangements have been agreed between the Company and the Directors with respect to their individual remuneration and other terms of employment. Each Director has entered into an agreement regarding insurance, access to records and disclosure of any trading in TOP securities as required under ASX Listing Rules and the Company's [Trading Policy](#).

The Company Secretary has a direct reporting line to each Director of TOP in regard to all matters to do with the proper functioning of the Board and the Committees.

### Diversity

The Company has not promulgated a *Diversity Policy* nor has it set any measurable objectives for gender diversity in compliance with ASX Recommendation 1.5. As TOP has no employees the Board has determined that a *Diversity Policy* and the setting of measurable objectives to achieve gender diversity are not warranted at this time. However, the composition of the Board is periodically reviewed.

The TOP Board undertakes a formal annual performance self-assessment of the Board, the Audit and Risk Committee and individual directors.

An evaluation of board performance was undertaken during the financial year ended 30 June 2015 with no material changes proposed to the Board processes or individual director contributions.

# Corporate governance statement continued

## Principle 1: Lay solid foundations for management and oversight continued

The independent directors meet at least once a year to review and evaluate the performance of the Investment Manager.

A satisfactory evaluation of the Investment Manager's performance for the financial year ended 30 June 2015 was undertaken by the independent directors.

The Investment Manager has an established induction process for all its employees with responsibilities under the IMA. As part of this induction process, new senior executives will receive briefings on the business of the Company and the Investment Manager and their policies and procedures. These briefings will focus on the key operational, regulatory, risk and compliance issues that are of relevance to the Company and the Investment Manager.

## Principle 2: Structure the board to add value

### Nomination and appointment of new Directors

ASX Recommendation 2.1 states that a board should establish a nomination committee and disclose a charter. Given the size and nature of the Company, the Board has determined that a Nomination Committee is not warranted.

The Board considers the issues that would otherwise be considered by a Nominations Committee.

### Board skills matrix

The TOP Board must comprise directors with an appropriate range of skills, experience and expertise.

Board skills and experience:	
Executive leadership	All directors
Financial markets acumen	All directors
Governance	All directors
Public policy and Regulation	All directors
Shareholder engagement	All directors
Strategy	All directors

The Board skills matrix sets out the key skills and experience of the Directors and the extent to which they are represented on the current Board and its Committees.

In addition to the skills and experience outlined in this table the Board considers that each Director has the appropriate attributes such as

- honesty and integrity;
- an understanding of shareholder value;
- has sufficient time to undertake the role appropriately;
- an enquiring mind; and
- a demonstrated commitment to appropriate standards of governance.

Background information on Directors in office at the date of this Annual Report is set out in the Directors' Report.

The Company's [Constitution](#) provides that there must be a minimum of 3 and a maximum of 10 directors.

Having regard to the size and the nature of its business, the Company has determined that a 4 member board is appropriate and sufficient to enable it to effectively discharge its responsibilities to the Company.

## Corporate governance statement continued

### Principle 2: Structure the board to add value continued

#### Majority of independent directors

The Board currently comprises 2 independent, non-executive directors (Ashok Jacob and Dr Gary Weiss) and 2 non-independent non-executive directors (Alex Waislitz and Henry Lanzer). The Board regularly assesses the independence of each non-executive director.

Director	Position	Classification	Appointment	Last election
Alex Waislitz	Chairman	Non-independent	21 November 2013	25 November 2014
Henry Lanzer	Director	Non-independent	21 November 2013	21 November 2013
Ashok Jacob	Director	Independent	21 November 2013	21 November 2013
Dr Gary Weiss	Director <sup>1</sup>	Independent	21 November 2013	21 November 2013

Thorney Opportunities notes that the current Board does not comply with ASX Recommendation 2.4 with respect to a majority of independent directors. The Board considers that all Directors of TOP bring significant expertise and investment experience to the Company and that the current structure is appropriate for the Company at this time.

Directors are elected by shareholders and in accordance with the provisions of the [Constitution](#), no director holds office for a period longer than 3 years without standing for re-election by the shareholders.

#### Chairman and independence

Thorney Opportunities notes that ASX Recommendation 2.5 states that the chair should be independent and, in particular, should not be the same person as the CEO of the entity.

The Board takes the view that it is in the best interests of shareholders that Mr Waislitz be the Chairman of Thorney Opportunities and we make the following observations:

- Mr Waislitz, as the long-term chairman and CEO of the private Thorney Investment Group, has a demonstrated track record of successful investment performance over 2 decades.
- In November 2013, shareholders voted in favour of all Thorney Investment Group proposals, including the appointment of Mr Waislitz as a director, on the expectation he be appointed Chairman of the Company.
- There are well-credentialed independent directors serving on the Board.
- Delegation of certain responsibilities to Board committees.
- The appointment of Dr Gary Weiss as Lead independent director.

The Company has a program for inducting new directors and encourages all its directors to maintain the skills and knowledge required to effectively perform their role.

Each director may obtain independent professional advice at the expense of the Company on matters arising in the course of their Board duties. The payment for the cost of the advice by the Company is subject to the approval of the Chairman, which will not be unreasonably withheld.

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<sup>1</sup> Lead Independent Director

## Corporate governance statement continued

### Principle 3: Act ethically and responsibly

#### Code of Conduct and Conflicts of Interest

The Company has established a [Code of Conduct](#) that provides guidance to Directors and employees of the Investment Manager. Under these principles Directors will:

- conduct business in good faith and in a manner that will maintain confidence in the Company's integrity;
- perform their duties to high standards of honest, ethical and law-abiding behaviour;
- treat others with dignity and respect; and
- not engage in conduct likely to adversely affect the reputation of Thorney Opportunities.

The *Code of Conduct* also sets out details of how conflicts of interest should be avoided. Directors must disclose to the Company any material personal interest they or their associates may have in a matter that relates to the affairs of the Company, and inform the Board, via the Company Secretary, of any changes. Where conflicts of interest arise, the Code sets out appropriate arrangements that must be followed.

A copy of the [Code of Conduct](#) is available on the Company's website.

### Principle 4: Safeguard integrity in corporate reporting

#### Audit Committee

Thorney Opportunities has established an Audit and Risk Committee and adopted an [Audit and Risk Committee Charter](#). Henry Lanzer (Committee Chairman) and Alex Waislitz have been formally appointed to the Committee but all directors are invited and encouraged to attend each meeting. The Company notes that its Committee composition and Charter do not conform to ASX Recommendation 4.1, however the Board believes that given the size and nature of the Company and the Board, the committee structure is sufficiently appropriate to independently verify and safeguard the integrity of the financial reporting.

A table of attendance at committee meetings by directors is included in the directors' report.

#### Assurance

Thorney Opportunities does not employ its own CEO or CFO. However for the purposes of section 295A of the Corporations Act and ASX Recommendation 4.2, the Chairman and Company Secretary provide the required assurances and declarations each half-year.

The Thorney Opportunities Board has received assurance from the Chairman and Company Secretary that, in their opinion :

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### External Auditor

The Audit and Risk Committee Charter includes information on the procedures for selection and appointment of the external auditor of Thorney Opportunities and for the rotation of the external audit engagement partner. This year shareholders appointed Ernst & Young as the company's auditor and this marks Year 2 under the rotation policy.

TOP ensures that the external auditor attends the AGM and is available to answer questions relevant to the audit from shareholders.

## Corporate governance statement continued

### Principle 5: Make timely and balanced disclosure

Thorney Opportunities has adopted a [Disclosure Policy](#) which has procedures designed to ensure compliance with ASX Listing Rule and Corporations Act disclosure requirements and to ensure accountability of Directors and senior management of the Investment Manager for that compliance.

The policy, which is available on the Company's website, has procedures designed to ensure that material information is communicated to the Chairman and Company Secretary and for the assessment of information for the disclosure of material information to the market.

The Board acknowledges the importance of promoting timely and balanced disclosure of all material matters concerning Thorney Opportunities and believes it is fully compliant with Principle 5 and its recommendations.

### Principle 6: Respect the rights of shareholders

Thorney Opportunities has a [Communications Policy](#) which seeks to promote effective communication with our shareholders. The Company communicates in several ways including via its Annual Report and Half-yearly accounts, monthly net tangible asset backing announcements, shareholder updates from the Chairman and other ASX announcements regarding material investments and other developments.

Thorney Opportunities Ltd maintains a website at: [www.thorneyopportunities.com.au](http://www.thorneyopportunities.com.au).

#### Annual General Meeting

TOP's AGM will be held on Tuesday 24 November 2015 at 11:00 am Melbourne time in the boardroom of Arnold Bloch Leibler, Level 21, 333 Collins Street Melbourne.

The Chairman of the meeting will ensure that shareholders are given the opportunity to participate at the AGM.

TOP encourages shareholders to contact the Share Registry and opt in to receive and send all communications to and from the Company electronically.

### Principle 7: Recognise and manage risk

The Board, through the Audit and Risk Committee, is responsible for setting policies for oversight of risk and identification and management of material business risks. Thorney Opportunities has an approved [Audit and Risk Committee Charter](#) (see Principle 4 above) and in conjunction with the Investment Manager has adopted a [Risk Management Policy](#).

The Investment Manager has implemented a risk management and compliance framework which enables the identification of risks, the execution of appropriate responses, the monitoring of risks and the controls applied to mitigate risks.

The main areas of risk that have been identified are market risk and operational risk. As a listed investment company Thorney Opportunities will always bear market risk as it invests its capital in assets that are not risk free. Operational risks can include legal, regulatory, disaster recovery, systems, process and human resource risks. Our risk management framework has been designed to monitor, review and continually improve risk management throughout the Company.

For the year ended 30 June 2015 the Audit and Risk Committee reviewed TOP's risk management framework and the Board was satisfied that it continues to be sound.

## Corporate governance statement continued

### Principle 7: Recognise and manage risk continued

The Board believes that commensurate with the size and nature of the business that an internal audit function is not warranted at this time. TOP utilises highly effective internal control processes and systems, developed over 2 decades by the Investment Manager to manage the multifaceted investment activities of the private Thorney Group. The Investment Manager employs staff and consultants who are responsible for evaluating and continually improving the effectiveness of the risk management and internal control systems. These systems are subject to an annual external audit.

The Company does have a material exposure to the Australian stock market. A large fall or correction to the overall market is likely to adversely affect the TOP NTA. The Investment Manager seeks to reduce this risk through careful stock selection, diversification and management of the relative weightings of individual securities.

### Principle 8: Remunerate fairly and responsibly

#### Remuneration Committee

ASX Recommendation 8.1 states that a board should establish a remuneration committee. Given the size and nature of the Company and the fact the company does not employ executives, the Board has determined that a Remuneration Committee is not warranted, nor does it have a *Remuneration Policy* to disclose.

#### Non-executive Directors

Non-executive Directors are remunerated by a fixed director's fee including superannuation or as a fixed consulting fee plus GST, as permitted by the Company's Constitution.

The maximum remuneration of Non-executive Directors is determined by Shareholders at a General Meeting in accordance with the [Constitution](#), the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-executive Directors is \$400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The Board may award additional remuneration to Non-executive Directors called upon to perform extra duties or services on behalf of the Company.

#### Non-executive Chairman

The Non-executive Chairman is employed by the private Thorney Investment Group and does not receive any salary, benefits or incentives for his role as a Director of TOP.

The amount of remuneration for all directors, including all monetary and non-monetary components, are detailed in the directors' report under *2015 Remuneration Report (audited)*.

#### Investment Manager

The Investment Manager has specified authority and responsibility in regard to management of the Thorney Opportunities investment portfolio. The Investment Manager is entitled to a base fee and a performance fee in accordance with the IMA.

Persons involved in investment management are employees of the private Thorney Investment Group and are not remunerated by the Company.

Further details on the fees paid to the Investment Manager are included in the financial statements.

## Statement of comprehensive income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Income</b>			
Net changes in fair value of trading investments	3	10,506,853	(2,592,925)
Interest received	3	2,403,981	1,586,501
Other income	3	903,864	156,176
<b>Total investment income/(loss)</b>	3	<b>13,814,698</b>	<b>(850,248)</b>
<b>Expenses</b>			
Management fees	21	(1,407,155)	(740,999)
Performance fees	21	(2,417,078)	-
Directors' fees	21	(164,520)	(124,491)
Fund administration and operational costs		(195,836)	(53,386)
Legal and professional fees		(187,029)	(110,965)
Other administrative expenses		(69,533)	(70,083)
<b>Total expenses before significant items</b>		<b>(4,441,151)</b>	<b>(1,099,924)</b>
<b>Significant items</b>			
Restructuring costs		-	(719,038)
<b>Profit/(loss) before income tax</b>		<b>9,373,547</b>	<b>(2,669,210)</b>
Income tax (expense)/benefit	4	-	-
<b>Total comprehensive profit/(loss) for the year</b>		<b>9,373,547</b>	<b>(2,669,210)</b>
<b>Basic and diluted earnings/(loss) per share</b>			
	15	<b>5.57</b>	<b>(2.47)</b>

The Statement of comprehensive income should be read in conjunction with the notes to the financial statements.

## Statement of financial position

As at 30 June 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and short-term deposits	6	33,793,023	53,387,315
Financial assets	7	51,340,689	17,064,268
Receivables	8	85,891	272,907
Other assets	9	17,270	25,477
<b>Total current assets</b>		<b>85,236,873</b>	<b>70,749,967</b>
<b>Non-current assets</b>			
Financial assets	7	10,277,672	10,000,000
<b>Total non-current assets</b>		<b>10,277,672</b>	<b>10,000,000</b>
<b>TOTAL ASSETS</b>		<b>95,514,545</b>	<b>80,749,967</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	6,695,489	811,247
Borrowings	11	852,708	1,615,374
Derivative financial instruments	12	240,240	-
<b>Total current liabilities</b>		<b>7,788,437</b>	<b>2,426,621</b>
<b>TOTAL LIABILITIES</b>		<b>7,788,437</b>	<b>2,426,621</b>
<b>NET ASSETS</b>		<b>87,726,108</b>	<b>78,323,346</b>
<b>EQUITY</b>			
Issued capital	13	80,975,125	80,945,910
Reserve	14	11,551,886	-
Accumulated losses		(4,800,903)	(2,622,564)
<b>TOTAL EQUITY</b>		<b>87,726,108</b>	<b>78,323,346</b>

The Statement of financial position should be read in conjunction with the notes to the financial statements.

## Statement of changes in equity

For the year ended 30 June 2015

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>80,945,910</b>	-	<b>(2,622,564)</b>	<b>78,323,346</b>
Profit for the year	-	-	<b>9,373,547</b>	<b>9,373,547</b>
<b>Total comprehensive income for the year</b>	-	-	<b>9,373,547</b>	<b>9,373,547</b>
Transfer to Profits reserve	-	<b>11,551,886</b>	<b>(11,551,886)</b>	-
<u>Transactions with shareholders:</u>				
Shares issued – options exercised	<b>38,941</b>	-	-	<b>38,941</b>
Cost of shares issued	<b>(9,726)</b>	-	-	<b>(9,726)</b>
<b>Total transactions with shareholders</b>	<b>29,215</b>	-	-	<b>29,215</b>
<b>Balance as at 30 June 2015</b>	<b>80,975,125</b>	<b>11,551,886</b>	<b>(4,800,903)</b>	<b>87,726,108</b>

For the year ended 30 June 2014

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2013</b>	<b>79,109,240</b>	-	<b>(64,668,354)</b>	<b>14,440,886</b>
Loss for the year	-	-	<b>(2,669,210)</b>	<b>(2,669,210)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(2,669,210)</b>	<b>(2,669,210)</b>
<u>Transactions with shareholders:</u>				
Shares issued	<b>68,229,438</b>	-	-	<b>68,229,438</b>
Cost of shares issued	<b>(1,677,768)</b>	-	-	<b>(1,677,768)</b>
S258F capital reduction	<b>(64,715,000)</b>	-	<b>64,715,000</b>	-
<b>Total transactions with shareholders</b>	<b>1,836,670</b>	-	<b>64,715,000</b>	<b>66,551,670</b>
<b>Balance as at 30 June 2014</b>	<b>80,945,910</b>	-	<b>(2,622,564)</b>	<b>78,323,346</b>

The Statement of changes in equity should be read in conjunction with the notes to the financial statements.

## Statement of cash flows

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>Cash from operating activities:</b>		
Interest received	2,610,780	1,333,419
Dividends received	888,629	150
Proceeds from sale of trading investments	6,795,587	1,161,618
Payments for trading investments	(27,151,012)	(15,843,445)
Payments to suppliers and employees	(2,659,729)	(1,087,702)
Finance costs paid	(113,246)	-
Other	15,001	156,026
<b>Net cash (used in)/provided by operating activities</b>	6(a) <b>(19,613,990)</b>	<b>(14,279,934)</b>
<b>Cash flows from investing activities:</b>		
Payments for long-term investments	-	(10,000,000)
<b>Net cash (used in)/provided by investing activities</b>	-	(10,000,000)
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	38,941	68,229,438
Payment for transaction costs	(9,726)	(1,677,768)
Other	(9,517)	-
<b>Net cash provided by/(used in) financing activities</b>	<b>19,698</b>	<b>66,551,670</b>
Net (decrease)/increase in cash held	<b>(19,594,292)</b>	42,271,736
Cash at the beginning of the year	<b>53,387,315</b>	11,115,579
<b>Cash at the end of the year</b>	6 <b>33,793,023</b>	<b>53,387,315</b>

The Statement of cash flows should be read in conjunction with the notes to the financial statements.

# Notes to the financial statements

## 1. Corporate information

TOP is a company limited by shares, incorporated and domiciled in Australia. The nature of the operations and principal activities of the company are described in the director's report.

The Company's investment activities are managed by Thorney Management Services Pty Ltd (Investment Manager) pursuant to an Investment Management Agreement approved by Shareholders.

The financial statements of Thorney Opportunities Ltd for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 24 August 2015.

## 2.1 Summary of accounting policies

### (a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Accounting Standards Board. The financial statements are presented in Australian Dollars and the company is a for-profit entity for the purpose of preparing financial statements.

The annual report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

### Statement of compliance

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Changes in Accounting Standards

The Company has adopted a number of new and amended Australian Accounting Standards and AASB interpretations for the reporting period, including the following list:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 - Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-5 - Amendments to Australian Accounting Standards – Investment Entities
- AASB 1031 - Materiality

The adoption of these new and amended standards did not have an impact in the reporting.

## Notes to the financial statements continued

### 2.1 Summary of accounting policies continued

#### (a) Basis of preparation continued

##### Standards issued that might have an impact but not yet effective

Standards issued that might have an impact but are not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt applicable standards when they become effective.

##### **Financial Instruments — Amendments to AASB 9 (effective from 1 January 2018)**

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Company early adopted the standard issued in December 2009 (as amended) and does not intend to apply the subsequent amendments until effective date 1 January 2018.

##### **Classification and measurement**

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are:

##### ***Financial assets***

Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

##### ***Financial liabilities***

Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.

##### **Revenue from Contracts with Customers — AASB 15 (effective from 1 January 2017)**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. The core principle of this standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Early application of this standard is permitted.

The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the company will move from 1 July 2017 to 1 July 2018.

## Notes to the financial statements continued

### 2.2 Accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

#### **Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### 2.3 Summary of significant accounting policies

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

#### **a) Financial instruments**

##### **(i) Classification**

The Company classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

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

The Company has two discrete portfolios of securities, the long-term portfolio and the trading portfolio.

The long-term portfolio relates to holdings of securities which the Directors intend to retain on a long term basis. The long-term portfolio is recognised as a non-current asset in the statement of financial position.

The trading portfolio comprises securities acquired principally for the purpose of generating a profit from short-term fluctuation in price. The trading portfolio is recognised as a current asset in the statement of financial position. All derivatives are classified as held for trading.

##### **Other financial liabilities**

This category includes all financial liabilities, other than those classified as at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

## Notes to the financial statements continued

### 2.3 Summary of significant accounting policies continued

#### a) Financial instruments continued

##### (ii) Recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

##### (iii) De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

##### (iv) Initial measurement

Both the long-term and trading portfolios are classified at initial recognition as financial assets at fair value through profit or loss. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Dividend income earned on investments held at fair value through profit or loss is recognised in the statement of comprehensive income.

Loans and receivables and financial liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the statement of comprehensive income, unless specified otherwise.

## Notes to the financial statements continued

### 2.3 Summary of significant accounting policies continued

#### a) Financial instruments continued

##### (v) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at fair value (see Note 7 below). Subsequent changes in the fair value of those financial instruments are recorded in 'Change in fair value of financial assets and liabilities at fair value through profit or loss'. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'Dividend revenue'.

#### b) Fair value measurement

The Company measures financial assets and liabilities at fair value through profit or loss, such as equity securities and debt instruments, at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## Notes to the financial statements continued

### 2.3 Summary of significant accounting policies continued

#### b) Fair value measurement continued

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using a discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as the discount rate including counterparty credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 7 for further disclosures.

#### c) Functional and presentation currency

The Company's functional and presentation currency is the Australian Dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### d) Interest revenue and expense

Interest earned on financial assets classified as 'at fair value through the profit or loss' is recorded in 'Interest revenue' according to the terms of the contract.

#### e) Dividend revenue

Dividend revenue is recognised when the Company's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the Statement of profit and loss.

#### f) Fees, commissions and other expenses

Except where included in the effective interest calculation (for financial instruments carried at amortised cost), fees and commissions are recognised on an accrual basis. Legal and audit fees are included within 'Legal and professional fees', and are recorded on an accrual basis.

#### g) Cash, and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## Notes to the financial statements continued

### 2.3 Summary of significant accounting policies continued

#### h) Taxes

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

#### i) Due to and due from brokers

Amounts due to brokers (refer to note 10) are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. *Refer to the accounting policy for 'other financial liabilities' for recognition and measurement of these amounts.*

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. *Refer to accounting policy for 'loans and receivables' for recognition and measurement of these amounts.*

#### j) Goods and services tax (GST)

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

- i. When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii. Receivables and payables are stated with the amount of GST included.

Reduced input tax credits (RITC) recoverable by the Company from the ATO are recognised as a receivable in the Statement of financial position.

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

## Notes to the financial statements continued

### 3. Total investment income

The major components of investment income in the Statement of comprehensive income are:

	2015 \$	2014 \$
Realised gains (losses)	491,693	131,134
Unrealised gains (losses)	10,015,160	(2,724,059)
Interest income	2,403,981	1,586,501
Underwriting fees	15,000	156,026
Dividend income	888,629	150
Other income	235	-
<b>Gross investment income</b>	<b>13,814,698</b>	<b>(850,248)</b>

Thorney Management Services Pty Ltd (Investment Manager) assumed investment management responsibilities from 21 November 2013 pursuant to an Investment Management Agreement approved by shareholders at the 2013 Annual General Meeting.

### 4. Income tax

The income tax (expense)/benefit attributable to the year differs from the prima facie amount payable on the profit/(loss) before tax. The difference is reconciled as follows:

	2015 \$	2014 \$
<b>Profit/(loss) before income tax expense</b>	<b>9,373,547</b>	<b>(2,669,210)</b>
Prima facie tax expense on profit from ordinary activities before income tax (expense) / benefit at 30% (2014: 30%)	(2,812,064)	800,763
Deferred income tax (expense)		
- Origination and reversal of temporary differences	3,483,771	242,589
- Imputation credits on dividends received	(114,252)	(19)
Carried forward tax losses utilised / (increased)	(557,455)	(1,043,333)
<b>Income tax expense recognised in the Statement of profit or loss</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Trading stock	3,622,316	283,391
Business establishment costs	(437,125)	(585,309)
Other	(12,610)	(9,201)
<b>Deferred tax liability</b>	<b>3,172,581</b>	<b>(311,119)</b>
Benefit of tax losses brought to account	(3,172,581)	311,119
<b>Net deferred tax</b>	<b>-</b>	<b>-</b>

At 30 June 2015, the Company has estimated unused gross capital tax losses of \$30,714,116 (2014: \$30,714,116) and gross revenue tax losses of \$26,018,137 (2014: \$24,735,036) that are available to offset against future taxable capital and revenue profits, subject to continuing to meet relevant statutory tests. Of the gross revenue losses, \$16,670,302 has not been recognised as a deferred tax asset as of 30 June 2015.

## Notes to the financial statements continued

### 5. Dividends

	2015 \$	2014 \$
<b>(a) Final Dividend FY 2015 not recognised at year end</b> Since the end of the year, the Directors have declared a 0.5 cent per share fully franked dividend which has not been recognised as a liability at the end of the financial year.	<b>842,184</b>	-
<b>(b) Dividend franking account</b>		
Balance at 1 July	109,223	109,159
Franking credits received on dividends from investments	380,841	64
<b>Balance at 30 June</b>	<b>490,064</b>	109,223
Subsequent to reporting period, the franking account will reduce by the dividend proposed above	360,936	-
	<b>129,128</b>	109,223

The Company's ability to pay franked dividends is fully dependent upon the receipt of franked dividends from investments as while the Company continues to utilise its available tax losses, it will not pay tax.

### 6. Cash and short-term deposits

	2015 \$	2014 \$
Cash at bank	33,793,023	987,315
Short-term deposits	-	52,400,000
<b>Total cash and short-term deposits</b>	<b>33,793,023</b>	53,387,315

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and 90 days, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The carrying value of Cash and short-term deposits approximates Fair Value.

a) Reconciliation of net profit/(loss) after tax to net cash provided by operating activities:

	2015 \$	2014 \$
<b>Profit/(loss) for the year</b>	<b>9,373,547</b>	(2,669,210)
<b>Adjustments for non-cash items:</b>		
Net gain on disposal of investments	(491,693)	(131,134)
Unrealised component of change in fair value of investments	(10,015,160)	2,724,059
<b>Changes in Assets &amp; Liabilities:</b>		
(Increase)/decrease in receivables	206,799	(253,082)
Increase/(decrease) in creditors & accrued expenses	1,659,968	740,387
(Increase) in financial assets	(20,355,425)	(14,681,827)
(Increase)/decrease in other assets	8,208	(8,675)
(Decrease) in provisions	(234)	(452)
<b>Net cash (used in)/provided by operating activities</b>	<b>(19,613,990)</b>	(14,279,934)

## Notes to the financial statements continued

### 7. Financial assets

	2015 \$	2014 \$
<b>Financial assets at fair value through profit or loss</b>		
Listed equities <sup>1</sup>	44,334,439	17,064,268
Unlisted equities <sup>2</sup>	7,006,250	-
Long term financial assets <sup>3</sup>	10,277,672	10,000,000
<b>Total financial assets</b>	<b>61,618,361</b>	<b>27,064,268</b>
Total current	51,340,689	17,064,268
Total non-current	10,277,672	10,000,000

<sup>1</sup> Measured at fair value using quoted market prices which are deemed a Level 1 input under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b). In July 2014, options previously deemed to be Level 3 were transferred to Level 1 upon listing on the ASX. There were no other transfers between levels.

<sup>2</sup> Measured at fair value, calculated with inputs deemed to be Level 2 under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b). The unlisted equities represent an investment in TPI Enterprises Limited which in May 2015 completed a capital raising of \$36.5 million at \$4.75 per share pursuant to an Information Memorandum. Valuation techniques, such as comparisons to similar investments for which market observable prices are available, or the last sale price, are also adopted to determine the fair value of investments included in level 2 of the hierarchy.

<sup>3</sup> Measured at fair value using a discounted cash flow model, calculated with inputs deemed to be Level 3 under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b). This model involves the projection of a series of cash flows on an unlisted interest bearing security and is reviewed each month by the Manager when calculating the TOP NTA. Key inputs to the discounted cash flow model include the principal value of unlisted interest bearing securities of \$10m, a coupon rate of 9% and a discount rate of 8.77% (2014: 9.32%). A 1% increase (decrease) in the discount rate would result in a decrease (increase) in fair value by approximately \$240,000.

#### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

Non-current financial assets:	Bonds	Options	Total
Balance at 1 July 2014	9,500,000	500,000	10,000,000
Unrealised gain recognised in Statement of comprehensive income	777,672	2,000,000	2,777,672
Reclassification to current financial assets and Level 1	-	(2,500,000)	(2,500,000)
<b>Balance at 30 June 2015</b>	<b>10,277,672</b>	<b>-</b>	<b>10,277,672</b>
Balance at 1 July 2013	-	-	-
Acquisition of financial instruments	9,500,000	500,000	10,000,000
<b>Balance at 30 June 2014</b>	<b>9,500,000</b>	<b>500,000</b>	<b>10,000,000</b>

## Notes to the financial statements continued

### 8. Receivables

	2015 \$	2014 \$
Accrued interest	66,107	272,907
Unearned income	18,749	-
GST	1,035	-
<b>Total receivables</b>	<b>85,891</b>	<b>272,907</b>

The carrying value of Receivables approximates Fair Value.

### 9. Other assets

	2015 \$	2014 \$
Prepayments	17,270	25,477
<b>Total other assets</b>	<b>17,270</b>	<b>25,477</b>

### 10. Payables (current)

	2015 \$	2014 \$
Management fee payable	734,268	611,305
Performance fee payable	2,417,078	-
Sundry creditors and accruals	122,790	169,713
Outstanding settlements	3,421,353	30,229
<b>Total payables</b>	<b>6,695,489</b>	<b>811,247</b>

Payables are non-interest bearing and unsecured. Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within 3 days of the transaction. Sundry creditors are generally paid in accordance with the terms negotiated with each individual creditor. The Management Fee and Performance Fee are paid within 60 days of receiving an invoice from the Investment Manager.

The carrying value of Payables approximates Fair Value.

### 11. Borrowings

	2015 \$	2014 \$
Prime broker	852,708	1,615,374
<b>Total borrowings</b>	<b>852,708</b>	<b>1,615,374</b>

The Company has a Prime Broker Agreement with UBS AG, Australia Branch to provide services including borrowing and lending of securities, settlement of third party transactions and, cash loans. The agreement allows UBS to take a custodial charge over assets lodged with UBS, as security for payments and performance obligations of the Company under the Prime Brokerage Agreement. Interest accrues daily on all cash advances at a rate equivalent to a benchmark rate of interest plus an agreed margin. Amounts drawn are repayable on demand.

The carrying amount of the borrowing has been measured at fair value through profit or loss which is deemed to be a Level 2 input under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b).

## Notes to the financial statements continued

### 12. Derivative financial instruments

	2015 \$	2014 \$
Exchange traded options at fair value <sup>1</sup>	240,240	-
<b>Total derivative financial instruments</b>	<b>240,240</b>	<b>-</b>

<sup>1</sup> Measured at fair value using quoted market prices which are deemed a Level 1 input under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b).

### 13. Issued capital

	2015 Number of shares	2014 Number of shares	2015 \$	2014 \$
<b>(a) Ordinary shares</b>				
Balance at 1 July	168,363,261	223,351,239	80,945,910	79,109,240
1:7 Share Consolidation	-	(191,443,521)	-	-
Ordinary shares issued	73,459	136,455,543	38,941	68,229,438
Costs of share issues and buy-back	-	-	-	(1,648,330)
S258F reduction <sup>1</sup>	-	-	-	(64,715,000)
<b>Total ordinary shares</b>	<b>168,436,720</b>	<b>168,363,261</b>	<b>80,984,851</b>	<b>80,975,348</b>
<b>(b) Options</b>				
Balance at 1 July	84,087,655	-	-	-
Options issued	-	84,143,198	-	-
Exercise of options	(73,459)	(55,543)	-	-
Options expired	(84,014,196)	-	-	-
Transaction costs	-	-	(9,726)	(29,438)
<b>Total options</b>	<b>-</b>	<b>84,087,655</b>	<b>(9,726)</b>	<b>(29,438)</b>
<b>Total issued and authorised capital</b>	<b>168,436,720</b>	<b>252,450,916</b>	<b>80,975,125</b>	<b>80,945,910</b>

<sup>1</sup> The Company reduced its accumulated losses and contributed equity by an equal amount via a S258F Corporations Act 2001 reduction.

#### (c) Terms and conditions:

##### (i) Ordinary shares

Ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

##### (ii) Options

The options lapsed on 22 April 2015.

## Notes to the financial statements continued

### 14. Reserve

	2015 \$	2014 \$
<b>Profits reserve</b>	<b>11,551,886</b>	-

The profits reserve details an amount preserved for future dividend payments.

### 15. Earnings per share

	2015	2014
<b>Basic and diluted earnings per share (cents)</b>	<b>5.57</b>	<b>(2.47)</b>
<b>Earnings used in calculating basic and diluted earnings per share (\$)</b>	<b>9,373,547</b>	<b>(2,669,210)</b>
	<b>2015 Number of Shares</b>	<b>2014 Number of shares</b>
<b>Weighted average number of ordinary shares used in calculating basic and diluted earnings per share <sup>1</sup></b>	<b>168,388,834</b>	<b>108,104,687</b>

<sup>1</sup> The weighted average number of ordinary shares used in calculating earnings per share has been adjusted for the 1:7 Share Consolidation that occurred on 2 December 2013.

### 16. Financial reporting by segments

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors when making strategic, investment or resource allocation decisions.

The Company's assets are located entirely in Australia or are listed on the Australian Securities Exchange.

### 17. Auditor's remuneration

	2015 \$	2014 \$
<b>Remuneration of the auditor for:</b>		
Audit and review of financial reports	52,800	49,500
Other services	5,500	-

## Notes to the financial statements continued

### 18. Financial risk management

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and equity price risk) arising from the financial instruments it holds.

#### **Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships, derivatives and other transactions.

The Company has counterparty exposure to Money3 Corporation Limited through its investment in bonds. The bond issuer has put in place a second-ranking security position for bondholders. In the event the issuer goes bankrupt, the bondholders should have priority over unsecured creditors. The Investment Manager monitors the counterparty in order to assess its ability to meet its interest and principal obligations.

It is the Company's policy to enter into financial instruments with reputable counterparties. The Investment Manager closely monitors the creditworthiness of the Company's counterparties (e.g. brokers, custodian, banks etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis.

#### **Liquidity risk**

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

The Company invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Company has no borrowings and has a daily policy to monitor and maintain sufficient cash and cash equivalents to meet normal operating requirements.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. As the Company is a listed investment company with a flexible investment mandate, the Company will always be subject to market risks as the prices of its investment fluctuates with the market.

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investments. The Company manages the equity price risk through adherence to its investment policy and objectives.

At the reporting date, the exposure to listed equity securities at fair value was \$44,094,189. A decrease of 10% in share value of securities held could have an impact of approximately \$4,409,419 on the income or equity attributable to the Company, depending on whether the decline is significant or prolonged. An increase in 10% in share value of securities held would have a similar favourable impact on income and equity.

## Notes to the financial statements continued

### 18. Financial risk management continued

#### Interest risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. The company is not materially exposed to interest rate risk as the majority of its cash is in short-term deposits with fixed interest rates. The Company's exposure to interest rate relates primarily to cash at bank and borrowings with Prime Broker. Interest rate sensitivities have not been performed as the Company's exposure to interest rate risk is not significant.

### 19. Contingent liabilities

Other than as described in Note 5, the Company has no contingent liabilities as at 30 June 2015.

### 20. Events subsequent to balance date

There were no events subsequent to balance date.

### 21. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the year ended 30 June 2015:

	Services from and reimbursements to related parties <sup>1</sup>	
	2015	2014
	\$	\$
<i>Entities with significant influence over the Company:</i>		
Thorney Holdings Pty Ltd	-	250,000
Thorney International Pty Ltd	-	6,504
Thorney Management Services Pty Ltd	3,730,959	722,926
Tiga Trading Pty Ltd	52,000	35,000
<i>Related entities of key management personnel of the Company:</i>		
Arnold Bloch Leibler	1,376	53,848

<sup>1</sup> All related party transaction amounts are shown exclusive of GST

The Company has entered into an investment management agreement with Thorney Management Services Pty Ltd (TMS) for a period of 10 years and expiring 21 November 2023.

Under this agreement TMS is entitled to a base fee and a performance fee. For the year ending 30 June 2015 a base fee of \$1,372,834 (2014: \$722,926) and a performance fee of \$2,358,125 (2014: \$nil) was paid or payable to TMS. The Company must pay TMS within 60 days of receiving an invoice.

Tiga Trading Pty Ltd, a related entity of TMS, employs personnel to provide company secretarial and financial accounts preparation services to Thorney Opportunities Ltd. These services are provided on commercial terms and total \$52,000 for the financial year 2015 (2014: \$35,000).

TMS, Tiga Trading Pty Ltd, Thorney Holdings Pty Ltd, Thorney International Pty Ltd and Thorney Investment Group Australia Pty Ltd are related bodies corporate controlled by Alex Waislitz by virtue of 608(1) of the Corporations Act (2001).

For the purposes of AASB 101 and AASB 124, the parent and ultimate parent of Thorney Opportunities Ltd is Thorney Investment Group Australia Pty Ltd.

## Notes to the financial statements continued

### 21. Related party transactions continued

During the year, the Company engaged Arnold Bloch Leibler, a legal firm of which Henry Lanzer is the managing partner, to provide legal advice totalling \$1,376 (2014: \$53,848).

In accordance with the terms of Mr Lanzer's appointment, a payment of \$50,000 was paid or payable to Arnold Bloch Leibler as remuneration for his role as a Director of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Key Management Personnel received the following remuneration amounts:

	2015 \$	2014 \$
Short-term benefits	155,000	90,415
Post-employment benefits	9,520	5,398
Total remuneration	164,520	95,813

### 22. List of investments

	Market value as at 30 June 2015 \$
AMA Group Limited	14,971,300
Austin Engineering Limited	1,416,452
Australian Renewable Fuels Limited	1,495,251
Diversa Limited	2,277,666
Money3 Corporation Limited (equity, bond, option)	18,158,755
Service Stream Limited	10,454,796
TPI Enterprises Limited	7,006,250
Other listed investments	5,837,890
<b>TOTAL INVESTMENTS</b>	<b>61,618,360</b>

## Directors' declaration

In accordance with a resolution of directors of Thorney Opportunities Ltd, I state that:

1. In the opinion of the Directors:
  - (a) the financial statements and notes of Thorney Opportunities Ltd for the financial year ended 30 June 2015 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position as at 30 June 2015 and of its performance for the year ended on that date;
    - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

On behalf of the Board,



**Alex Waislitz**  
Chairman

Melbourne, 24 August 2015

## To the Members of Thorney Opportunities Ltd

### Report on the Financial Report

We have audited the accompanying financial report of Thorney Opportunities Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

### Directors' responsibility for the financial report

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

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the Directors as at the time of this auditor's report.

## Opinion

In our opinion:

- a. the financial report of Thorney Opportunities Ltd is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.1.

## Report on the remuneration report

We have audited the Remuneration Report included in Note 12 of the Directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Thorney Opportunities Ltd for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Kester Brown  
Partner

Melbourne  
24 August 2015

## Shareholder information

As at 24 August 2015

### Voting rights

All ordinary shares carry one vote per share without restriction.

### Distribution of shareholders

Category	Ordinary shareholders
1 – 1,000 shares	228
1001 – 5,000 shares	343
5001 – 10,000 shares	175
10,001 – 100,000 shares	677
100,001 or more shares	166
<b>Total number of holders</b>	<b>1,589</b>
Number of shareholders holding less than a marketable parcel	146

### 20 largest shareholders of ordinary shares

Name	Number of shares	% of issued capital
THORNEY HOLDINGS PTY LTD	45,393,372	26.95
RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	12,150,608	7.21
TIGA TRADING PTY LTD	6,471,578	3.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,980,000	3.55
RUBI HOLDINGS PTY LTD <JOHN RUBINO SUPER FUND A/C>	4,749,392	2.82
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	4,080,000	2.42
ELPHINSTONE HOLDINGS PTY LTD	3,000,000	1.78
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	2,028,000	1.20
FRANK COSTA SUPERANNUATION PTY LTD <SHIRLEY COSTA SUPER FUND A/C>	2,000,000	1.19
OBPF NOMINEES PTY LTD <O'BRIEN PENSION FUND A/C>	2,000,000	1.19
TAMIT NOMINEES PTY LTD <THE ITESCU FAMILY A/C>	2,000,000	1.19
MR MALCOLM STEINBERG & MR ADAM GREGORY STEINBERG <M & F STEINBERG S/F A/C>	1,700,000	1.01
THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	1,534,496	0.91
MRS NOLA ISABEL CRIDDLE <CRIDDLE INVESTMENT FUND A/C>	1,500,000	0.89
PICTON COVE PTY LTD	1,305,704	0.78
BLACKCAT HOLDINGS PTY LTD	1,055,000	0.63
AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	1,037,082	0.62
VENN MILNER SUPERANNUATION PTY LTD	1,006,724	0.60
NOLA CRIDDLE FOUNDATION PTY LTD <NOLA CRIDDLE FOUNDATION A/C>	1,000,000	0.59
THE TRUST COMPANY (SUPERANNUATION) LTD <KYNASTON SUPER FUND A/C>	1,000,000	0.59

### Substantial shareholders

Name	Number of shares	Voting Power %
Thorney Holdings Pty Ltd	51,947,877	30.84
Rubi Holdings Pty Ltd	16,900,000	10.03

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