

THORNEY

OPPORTUNITIES
TOP

Thorney Opportunities Ltd

ABN 41 080 167 264

Appendix 4E and
2020 Annual Report



THORNEY OPPORTUNITIES LTD

ABN 41 080 167 264

APPENDIX 4E (Listing Rule 4.3A)

Preliminary final report for the year ended 30 June 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 30 June 2019)

	\$'000s	Movement \$'000	Up/ Down	Movement %
Loss from ordinary activities	(46,952)	(68,066)	Down	>(100%)
Loss before tax for the year	(49,744)	(64,754)	Down	>(100%)
Loss after tax for the year	(34,917)	(46,963)	Down	>(100%)

Dividend information	Cents per share	Franked amount per share	Taxing rate for franking
2020 Final dividend cents per share	1.27	1.27	30.0%
2020 Interim dividend cents per share	0.73	0.73	27.5%
2019 Final dividend cents per share	1.14	1.14	27.5%

2020 Final dividend dates

Ex-dividend date	8 September 2020
Record date	9 September 2020
Payment date	30 September 2020

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will not operate in respect of the 2020 Final dividend.

	30 June 2020	30 June 2019	Movement
Net tangible asset backing (after tax) per share	61.0 cents	80.1 cents	Down 24%

This information should be read in conjunction with the 2020 Annual Report of Thorney Opportunities Ltd and any public announcements made in the period by Thorney Opportunities Ltd in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and *Listing Rules*.

This report is based on the financial statements of Thorney Opportunities Ltd which have been audited by Ernst and Young.

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.

ASX Code:	TOP
Security:	Thorney Opportunities Ltd fully paid ordinary shares
Directors:	Alex Waislitz, Chairman Ashok Jacob Henry D. Lanzer AM Dr Gary H. Weiss AM
Secretary:	Craig Smith
Country of incorporation:	Australia
Registered office:	Level 39, 55 Collins Street Melbourne Vic 3000
Contact details:	Level 39, 55 Collins Street Melbourne Vic 3000 T: + 613 9921 7116 F: + 613 9921 7100 E: craig.smith@thorney.com.au W: www.thorneyopportunities.com.au
Investment Manager:	Thorney Management Services Pty Ltd Level 39, 55 Collins Street Melbourne Vic 3000 AFSL: 444369
Auditor:	Ernst & Young, Melbourne 8 Exhibition Street Melbourne Vic 3000
Solicitors:	Arnold Bloch Leibler 333 Collins Street Melbourne Vic 3000
Share Registry:	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 T: + 612 9290 9600 F: + 612 9279 0664 W: www.boardroomlimited.com.au For all shareholder related enquiries please contact the share registry.
Annual General Meeting (AGM):	When: Wednesday 18 November 2020 ¹ Where: TOP is planning to hold a Virtual 2020 Annual General Meeting ¹ ¹ The Company will advise full meeting details to all shareholders around mid-October 2020.

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Chairman's letter



THORNEY
OPPORTUNITIES
TOP

Dear fellow shareholder,

From its very beginnings, your company TOP's investment strategy has been to identify companies which are fundamentally mis-priced or undervalued. If required, we work with company leadership and act as a constructive change agent to help unlock greater value over time. Our focus has always been to deliver above average returns to TOP shareholders over the medium to long term.

After almost 30 years of active investing over many investment cycles I am convinced that, provided you buy well, the adage "time in the market always beats timing the market" is more relevant than ever.

So, while I am disappointed with the performance of TOP during FY2020, I retain a high level of conviction in TOP's current portfolio composition and remain optimistic that the market will come to acknowledge TOP's full intrinsic value over time.

One example of how this will occur can be seen in the positive market reaction to the recent excellent annual results reported by one of TOP's largest holdings Money 3 (MNY) – itself a turnaround story. MNY's share price rose strongly in the days after it reported.

Another of TOP's key holdings is also a Thorney-led turnaround. Service Stream (SSM), reported yet another strong result and dividend and we believe the company will continue to perform.

During the second half of FY2020, one of TOP's investee companies OneVue (OVH) received a scheme of arrangement proposal under which it would be acquired by Iress. We believe that the scheme undervalues OVH and we await with interest the independent expert's report. We have continued to accumulate additional shares in the company resulting in TOP and its associated companies now holding more than 18% of OVH.

With bushfires, floods and the COVID-19 pandemic creating an uncertain outlook on advertising revenues, the TOP Board has taken a prudent approach to valuing its holding in Australian Community Media, writing down its book value by 15%. As with all TOP's investee companies, we are working closely with ACM management to best position this private company for the future.

The above examples help demonstrate why I remain optimistic that the inherent quality and value of our forensically selected portfolio will see TOP's performance rebound in the future.

It is partly for this reason that Directors have confidence in declaring a record Final dividend of 1.27 cents per share fully franked. Total dividends for the 2020 financial year of 2.00 cents per share fully franked represent an increase of 11.1% over 2019.

The Board remains committed to continuing to increase dividends when possible in the future.



Chairman's letter continued

Thorney intends to defer receipt of its dividend from TOP until early calendar 2021 so as to provide TOP with additional financial flexibility in the months ahead. This is consistent with the approach we announced at the time of the FY2020 interim result.

As at June 30, TOP's share price was trading at a discount of some 27% to its NTA. The Board has continued to take advantage of this discount by buying back TOP shares. While the discount remains at these levels, the buyback, which is effectively buying assets for around 75 cents in the dollar, is value accretive for all TOP shareholders. Nevertheless, my focus remains on reducing and eliminating this discount over time.

In September, following completion of the 2020 financial reporting season, I will host a virtual investor forum to provide highlights from TOP's portfolio companies and some market commentary.

All Chairman's Updates can be found on TOP's website thorneyopportunities.com.au/chairmans-updates.

Virtual forums can be found here: thorneyopportunities.com.au/videos.

As the largest shareholder in TOP, my interests are wholly aligned with yours. You can be assured that I and the entire TOP team will be working very hard to see TOP succeed in this current year.

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.

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

Alex Waislitz
Chairman

25 August 2020

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 2020 and the auditor's report thereon.

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
Henry D. Lanzer AM	Director since 21 November 2013
Ashok Jacob	Director since 21 November 2013
Dr Gary H. Weiss AM	Director since 21 November 2013

Information on directors

Alex Waislitz BEd, LLB, Non-executive Chairman

Alex Waislitz was appointed Chairman of the Company on 21 November 2013.

Mr Waislitz is Chairman of Thorney Technologies Ltd and 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 and the Waislitz Family Foundation. 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.

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

Henry D. Lanzer AM was appointed a director of the Company on 21 November 2013 and he is Chairman of the TOP Audit and Risk Committee.

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.

Mr Lanzer is also a director of Premier Investments Limited, a director of Just Group Limited and previously 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.

Directors' report continued

1. Directors continued

Information on directors continued

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 has been the Chair of the Australia-India Council since April 2015.

Mr Jacob's previous directorships include Consolidated Press Holdings Limited, Crown Ltd, Publishing and Broadcasting Ltd, Visy Australia Advisory Board, 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.

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

Dr Gary H. Weiss AM 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 directorships including as director of Ariadne Australia Limited (since November 1989) and as Chairman of Ardent Leisure Group Limited and Estia Health Limited.

Other current directorships include The Straits Trading Company Limited and Hearts & Minds Investments Limited. Dr Weiss is also a Commissioner of the Australian Rugby League Commission. In June 2019 Dr Weiss was appointed as a Member of the Order of Australia.

Dr Weiss' previous directorships include Guinness Peat Group plc, Premier Investments Limited, Pro-Pac Packaging Limited, Tag Pacific Limited, Westfield Group, Coats plc (Chairman), ClearView Wealth Limited (Chairman), Mercantile Investment Company Limited, 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 Chief Financial Officer of the private Thorney Investment Group since 2008, was appointed company secretary of Thorney Technologies Ltd in 2016 and is a director and company secretary of Anaeco Limited.

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). Its principal activity is making investments in listed and unlisted securities.

There have been no changes in the nature of these activities during the 2020 financial year.

4. Result

The Company's net loss before tax for the 2020 financial year was \$49,744,148 (2019: \$15,009,872 profit) and the net loss after tax was \$34,917,472 (2019: \$12,045,578 profit).

Net tangible assets after tax were 61.0 cents per share (2019: 80.1 cents per share).

5. Dividends

TOP directors declared a 2020 Interim fully franked dividend of 0.73 cents per share for the period, which was paid on 31 March 2020.

On 25 August 2020 the Board declared a final fully franked dividend of 1.27 cents per share (2019 Final dividend: 1.14 cents per share). The tax rate for imputation purposes will be at 30%, which is the maximum allowable under Australian taxation law (i.e. 100% fully franked). The Dividend Reinvestment Plan (DRP) will not operate in respect of the 2020 Final dividend.

The Final dividend will be paid to shareholders on 30 September 2020. The total dividend of approximately \$2,540,910 has not been recorded as a liability in the financial accounts. The dividends will be paid to all shareholders who are duly recorded on the register of members as at 5pm on Wednesday, 9 September 2020.

The fully franked 2019 Final dividend of 1.14 cents per share was paid on 30 September 2019 and the fully franked 2020 Interim dividend of 0.73 cents per share was paid on 31 March 2020.

6. Review of operations

Over the course of the financial year ended 30 June 2020, the Company's net tangible assets decreased by \$40,923,773 to \$122,093,889 (2019: \$163,017,662). The decrease principally reflects mark to market reductions in the market value of the Company's portfolio for the twelve-month period.

TOP's five largest portfolio holdings (MNY, SSM, AMA, PAL, and DCG) represent 60% of TOP's listed portfolio and all closed at a weaker share price. Further, TOP's write down of its unlisted investment in Australia Community Media Group, predominately due to the impact of the January 2020 bushfires and Covid-19 pandemic, also contributed to an overall unrealised loss position for period ending 30 June 2020.

Cash and short-term deposits as at 30 June 2020 was \$6,561,555 (2019: \$3,774,665). The \$2,786,890 increase in cash reflects an increase in operating cash flows of \$8.4 million which was driven primarily by increase in proceeds from sale of trading investments. This movement was offset by payments made in relation to the Share buy-back totalling \$2.2 million. The prior year cash balance was also impacted by a significant transaction, relating to TOP's investment of \$7.5 million for 25% ownership in the Australian Community Media Group.

On 5 December 2019 the Company announced its intention to conduct an On-Market Share buy-back from the period 19 December 2019 to 18 December 2020 unless the maximum number of shares are bought back prior to this date or TOP decides to cease the buy-back.

Directors' report continued

6. Review of operations continued

During 2020 TOP became a substantial shareholder of PRT, COG and TNY and ceased its holding in ZEN. During the year, TOP lodged notices with the ASX of increases of its voting percentage in OVH, DCG, MRM, ISU, TNY and MRG, and decreased its investment in MNY, lodging substantial holder notices during the period as required.

In June and July 2020 TOP held a Thorney Virtual Investment Forum (jointly with Thorney Technologies Ltd). In the July 2020 Thorney Virtual Investment Forum, key personnel from OVH and PAL participated in the online forum. The forums have been recorded and are available on the TOP website.

7. Financial position

The Company's net tangible assets can be summarised as follows:

Net tangible asset backing per share	2020	2019
Net tangible assets	\$122,093,889	\$163,017,662
Shares on issue	200,071,679	203,619,230
Net tangible assets after tax per share	61.0 cents	80.1 cents

8. Prospects

The Company remains committed to maintaining its disciplined approach to investing.

The Board is optimistic that, in this challenging economic environment, opportunities which may be attractive to the Company will continue to emerge over the coming period.

9. Material business risks

The Company's risk management and compliance framework operated effectively throughout the financial year ensuring that the two 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. Events subsequent to balance date

There were no events subsequent to balance date.

Directors' report continued

11. 2020 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. There was no change in remuneration during the period and annual fees paid to each Director have remained unchanged since their appointment. The amount of base remuneration is not dependent 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 (Thorney Management Services Pty Ltd) 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 2020, the Investment Manager was entitled to:

- a Base Fee of \$2,205,416 (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 \$0. 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

11. 2020 Remuneration report (Audited) continued

(c) Details of Remuneration

Key Management Personnel (KMP) received the following remuneration amounts:

2020	Short term benefits		Post-employment benefits	Total
	Fees \$	Other \$	Superannuation \$	
Alex Waislitz	0	0	0	0
Ashok Jacob	50,000	0	4,750	54,750
Henry Lanzer ¹	54,750	0	0	54,750
Dr Gary Weiss	50,000	0	4,750	54,750
Total KMP remuneration	154,750	0	9,500	164,250

2019	Short term benefits		Post-employment benefits	Total
	Fees \$	Other \$	Superannuation \$	
Alex Waislitz	0	0	0	0
Ashok Jacob	50,000	0	4,750	54,750
Henry Lanzer ¹	54,750	0	0	54,750
Dr Gary Weiss	50,000	0	4,750	54,750
Total KMP remuneration	154,750	0	9,500	164,250

¹ Mr Lanzer's fees are paid or payable to Arnold Bloch Leibler and exclude GST

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 for the current or the prior year. Arnold Bloch Leibler is a legal firm of which Henry Lanzer is the managing partner.

(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 \$54,750 (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

Directors' report continued

11. 2020 Remuneration report (Audited) continued

(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

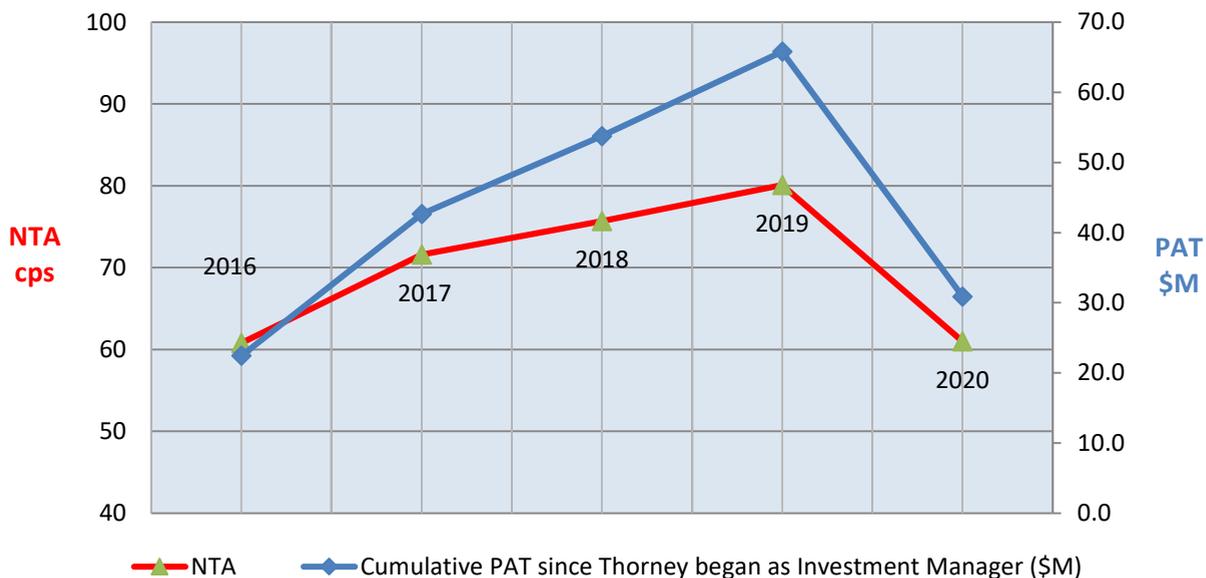
(f) History of TOP performance

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

As at 30 June	Earnings after tax (PAT) \$	EPS (cents per share)	Share price (cents per share)	NTA (after tax) (cents per share)
2020	(34,917,472)	(17.24)	47.0	61.0
2019	12,045,578	5.92	67.0	80.1
2018	11,109,436	5.94	69.0	75.7
2017	20,189,353	11.91	69.5	71.6
2016	15,759,953	9.33	58.0	60.8

Earnings are for continuing operations only.

History of TOP Performance Last 5 Years



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.

Directors' report continued

12. KMP relevant interests

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

	Balance 30 June 2018	Additions/ (Disposals)	Balance 30 June 2019	Additions/ (Disposals)	Balance 30 June 2020
Directors					
Alex Waislitz ¹	56,979,159	3,180,893	60,160,052	-	60,160,052
Ashok Jacob	1,061,846	-	1,061,846	-	1,061,846
Henry Lanzer	125,700	-	125,700	-	125,700
Dr Gary Weiss	9,971	-	9,971	-	9,971
Other key management personnel					
Thorney Management Services Pty Ltd (TMS) ¹	56,979,159	3,180,893	60,160,052	-	60,160,052

¹ Pursuant to the *Corporations Act 2001*, Alex Waislitz and TMS have a deemed relevant interest in the ordinary shares in the Company held by Thorney Holdings Proprietary Limited and Tiga Trading Pty Ltd.

There have been no changes in Directors' relevant interests in shares since the end of the financial year. All Directors have duly notified the Australian Securities Exchange in accordance with the *Corporations Act 2001* of changes in their relevant interests during the year.

13. Board and committee meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2020 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	6	6	4 ¹	3
Ashok Jacob	6	6	4 ¹	2
Henry Lanzer	6	6	4 ¹	4
Gary Weiss	6	5	4 ¹	3

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

14. Environmental regulation

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

Directors' report continued

15. 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.

16. 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.

17. 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 15 to the financial statements on page 41 of this report.

There were no non-audit services performed by the Company's auditor, Ernst & Young, during the 2020 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, 25 August 2020



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Thorney Opportunities Ltd

As lead auditor for the audit of the financial report of Thorney Opportunities Ltd for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Tony Morse'.

Tony Morse
Partner
25 August 2020

Corporate governance statement

2020 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 Investment Manager performs the tasks that would ordinarily be performed by senior executives.

The Board has adopted a [Board Charter](#) which stipulates the respective roles and responsibilities of the board and 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, independence including 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 personally 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, confidentiality and the Company's [Trading Policy](#).

The Company Secretary has a direct reporting line to each Director of the Company 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 the Company 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 Board undertakes a formal annual performance self-assessment of the Board, the Audit and Risk Committee and the Investment Manager.

Corporate governance statement continued

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

An evaluation of board performance was undertaken during the financial year ended 30 June 2020 with no material changes proposed to the Board processes or individual director contributions.

The Board annually reviews the performance of the Investment Manager based on total returns to shareholders and with reference to peer LIC performance and benchmark ASX indices.

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 2020 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 be effective and 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	24 November 2017
Henry Lanzer	Director	Non-independent	21 November 2013	21 November 2018
Ashok Jacob	Director	Independent	21 November 2013	20 November 2019
Dr Gary Weiss	Director ¹	Independent	21 November 2013	20 November 2019

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 2.3 (modified recommendation for externally managed listed entities) and ASX Recommendation 2.5 states that the chair of the Company and Investment Manager 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 each director individually reviews their training and professional development needs 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.

¹ Lead Independent Director

Corporate governance statement continued

Principle 3: Instil a culture of acting lawfully, 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 lawfully
- 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.

Whistleblower Policy

The Company has established a Whistleblower Policy allowing stakeholders to confidentially submit for investigation any serious complaint against the Company or its representatives and provides protections for employees who do so. The Board will be informed of any material concern raised under the Policy or that calls into question the culture of the Company.

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

Principle 4: Safeguard the integrity of corporate reports:

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.

Corporate governance statement continued

Principle 4: Safeguard the integrity of corporate reports continued:

External Auditor

The Audit and Risk Committee Charter includes information on the procedures for selection, appointment and removal of the external auditor of the Company and for the rotation of the external audit engagement partner. In 2013 shareholders appointed Ernst & Young as the company's auditor. In 2018 the audit engagement partner of Ernst & Young was rotated as required 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.

Principle 5: Make timely and balanced disclosure:

Thorney Opportunities has adopted a [Disclosure Policy](#) which has procedures designed to ensure compliance with ASX Listing Rules 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 security holders:

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, regular 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.

Annual General Meeting

The Company's AGM will be held in November 2020 at a time, date and venue to be announced.

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

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

Corporate governance statement continued

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, environmental and social 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 2020 the Audit and Risk Committee reviewed the Company's risk management framework and the Board was satisfied that it continues to be sound.

The Board believes that commensurate with the size and nature of the business that an internal audit function is not warranted at this time. The Company 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 Company's 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.

Corporate governance statement continued

Principle 8: Remunerate fairly and responsibly continued:

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 the Company.

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

Investment Manager

The Investment Manager has specified authority and responsibility in regard to management of the Company's 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 management fees paid to the Investment Manager are included in the financial statements.

Statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Net changes in fair value of trading investments	3	(50,690,301)	16,663,182
Interest income	3	195,345	214,688
Dividend income	3	3,369,179	4,206,591
Other income	3	173,711	29,074
Total investment (loss)/income	3	(46,952,066)	21,113,535
Expenses			
Management fees		(2,260,552)	(2,471,979)
Performance fees		-	(3,106,092)
Directors' fees		(169,725)	(169,725)
Finance costs		(557)	(335)
Fund administration and operational costs		(110,525)	(111,603)
Legal and professional fees		(189,225)	(193,434)
Other administrative expenses		(61,498)	(50,495)
Total expenses		(2,792,082)	(6,103,663)
(Loss)/profit before income tax		(49,744,148)	15,009,872
Income tax benefit/(expense)	4	14,826,676	(2,964,294)
Total comprehensive (loss)/profit for the year		(34,917,472)	12,045,578
		2020 Cents	2019 Cents
Basic and diluted (loss)/earnings per share	13	(17.24)	5.92

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 2020

	Note	2020 \$	2019 \$
ASSETS			
Currents assets			
Cash and short-term deposits	6	6,561,555	3,774,665
Financial assets	8	107,538,844	167,991,392
Receivables	9	106,540	1,114
Prepayments		13,017	11,807
Total current assets		114,219,956	171,778,978
Non-current assets			
Financial assets	8	6,375,000	7,500,000
Deferred tax assets	4	3,306,556	-
Total non-current assets		9,681,556	7,500,000
TOTAL ASSETS		123,901,512	179,278,978
LIABILITIES			
Current liabilities			
Payables	10	1,807,623	4,741,196
Total current liabilities		1,807,623	4,741,196
Non-current liabilities			
Deferred tax liabilities	4	-	11,520,120
Total non-current liabilities		-	11,520,120
TOTAL LIABILITIES		1,807,623	16,261,316
NET ASSETS		122,093,889	163,017,662
EQUITY			
Issued capital	11	103,369,689	105,585,376
Reserve	12	108,890,443	88,486,055
Accumulated losses		(90,166,243)	(31,053,769)
TOTAL EQUITY		122,093,889	163,017,662

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 2020

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	105,585,376	88,486,055	(31,053,769)	163,017,662
Loss for the year	-	-	(34,917,472)	(34,917,472)
Total comprehensive loss for the year	-	-	(34,917,472)	(34,917,472)
Transfer to Profits reserve	-	24,195,002	(24,195,002)	-
<u>Transactions with shareholders:</u>				
Dividends paid	-	(3,790,614)	-	(3,790,614)
Share Buy-back	(2,212,014)	-	-	(2,212,014)
Cost of Share Buy-back	(3,673)	-	-	(3,673)
Total transactions with shareholders	(2,215,687)	(3,790,614)	-	(6,006,301)
Balance at 30 June 2020	103,369,689	108,890,443	(90,166,243)	122,093,889

For the year ended 30 June 2019

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	105,585,376	56,649,833	(8,086,664)	154,148,545
Profit for the year	-	-	12,045,578	12,045,578
Total comprehensive income for the year	-	-	12,045,578	12,045,578
Transfer to Profits reserve	-	35,012,683	(35,012,683)	-
<u>Transactions with shareholders:</u>				
Dividends paid	-	(3,176,461)	-	(3,176,461)
Total transactions with shareholders	-	(3,176,461)	-	(3,176,461)
Balance at 30 June 2019	105,585,376	88,486,055	(31,053,769)	163,017,662

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 2020

	2020	2019
	\$	\$
Cash flows from operating activities:		
Interest received	195,345	214,688
Dividends received	3,266,724	4,259,240
Proceeds from sale of trading investments	55,214,986	45,012,782
Payments for trading investments	(44,327,739)	(43,981,080)
Payments to suppliers and employees	(6,139,308)	(5,687,616)
Finance costs paid	(557)	(335)
Other	173,711	29,074
Net cash provided by/ (used in) operating activities	6(a) 8,383,162	(153,247)
Cash flows from investing activities:		
Payments for long-term investments	-	(7,500,000)
Net cash used in investing activity	-	(7,500,000)
Cash flows from financing activities:		
Payment for Share Buy-Back costs	(3,673)	-
Payment for Share Buy-back	(2,212,014)	-
Dividends paid	(3,380,585)	(3,161,599)
Net cash used in financing activities	(5,596,272)	(3,161,599)
Net (decrease)/increase in cash held	2,786,890	(10,814,846)
Cash at the beginning of the year	3,774,665	14,589,511
Cash at the end of the year	6 6,561,555	3,774,665

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

The financial statements of Thorney Opportunities Ltd and its subsidiary (collectively TOP or the Company) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 August 2020.

Thorney Opportunities Ltd 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 directors' 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.

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 16 Leases

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. An entity shall consider the terms and conditions of contracts and all relevant facts and circumstances when applying this Standard. An entity shall apply this Standard consistently to contracts with similar characteristics and in similar circumstances.

An entity shall apply this Standard to all leases, including leases of right-of-use assets in a sublease, except where dictated by another standard.

This standard applies from 1 July 2019 has not had an impact on the Company as the Company currently does not have lease arrangements where the Company acts as lessee.

Notes to the financial statements continued

2.1 Summary of accounting policies continued

Standards issued that might have an impact but not yet effective

The Company has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet effective for the year ended 30 June 2020.

AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions. This Standard amends AASB 16 Leases (February 2016) as a consequence of the issuance of International Financial Reporting Standard Covid-19-Related Rent Concessions (Amendment to IFRS 16) by the International Accounting Standards Board in May 2020. This Standard applies to annual periods beginning on or after 1 June 2020. This Standard may be applied to annual periods beginning before 1 June 2020. This is not expected to impact the Company as the Company currently does not have lease arrangements where the Company acts as lessee.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current. This Standard amends AASB 101 Presentation of Financial Statements (July 2015) as a consequence of the issuance of International Financial Reporting Standard Classification of Liabilities as Current or Non-current (Amendments to IAS 1) by the International Accounting Standards Board (IASB) in January 2020. This Standard applies to annual reporting periods beginning on or after 1 January 2022. Implementation of this standard is not expected to have a significant impact on the Company and its financial reporting disclosures.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments. This Standard amends: (a) AASB 1 First-time Adoption of Australian Accounting Standards (July 2015); (b) AASB 3 Business Combinations (August 2015); (c) AASB 9 Financial Instruments (December 2014); (d) AASB 116 Property, Plant and Equipment (August 2015); (e) AASB 137 Provisions, Contingent Liabilities and Contingent Assets (August 2015); and (f) AASB 141 Agriculture (August 2015); as a consequence of the issuance by the International Accounting Standards Board in May 2020 of the following International Financial Reporting Standards: (g) Annual Improvements to IFRS Standards 2018–2020; (h) Reference to the Conceptual Framework (Amendments to IFRS 3); (i) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and (j) Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37). This Standard applies to annual periods beginning on or after 1 January 2022. The amendments to individual Standards may be applied early, separately from the amendments to the other Standards. These amendments are not expected to have a significant impact on the Company.

(b) Basis of consolidation

The Company meets the definition of an Investment Entity under AASB 10 Consolidated Financial Statements, as it meets the following criteria:

- the Company obtains funds from shareholders for the purpose of providing them with investment management services;
- the Company's business purpose, which it communicated directly to shareholders, is investing solely for returns from capital appreciation and investment income; and
- the performance of investments made by the Company are measured and evaluated on a fair value basis.

The Company meets all the typical requirements of an investment entity.

The Company has determined that for any entities it controls or has significant influence over, that do not provide investment related services to the Company, consolidated financial statements are not required. The Company's investments in these entities are measured at fair value through profit and loss in accordance with AASB 9.

Notes to the financial statements continued

2.2 Accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, 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. Further information is provided in note 7.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details are provided in note 4.

Notes to the financial statements continued

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, principally for the purpose of generating capital appreciation. 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.

(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.

The Company includes in this category equity instruments. Equity instruments include investments in subsidiaries and associates. The following is noted:

- *Investment in subsidiaries:* in accordance with the exemption under AASB 10, investments in subsidiaries are not consolidated, unless the subsidiary does not meet this exemption because it performs services that relate to the investment activity of the Company. Otherwise the Company measures unconsolidated subsidiaries at fair value through profit and loss.
- *Investment in associates:* in accordance with the exemption in AASB 128 Investment in Associates and Joint Ventures, the Company does not account for its investments in associates using the equity method. Instead the Company measures its investments in associates through fair value through profit and loss.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

a) Financial instruments continued

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.

(v) Subsequent measurement

After initial measurement, the Company remeasures financial instruments which are classified as at fair value through profit or loss at fair value (see note 7). 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'.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

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

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 comprehensive income.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

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 is presented as defined above, net of outstanding bank overdrafts.

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 liabilities are recognised for all taxable temporary differences, except:

- i. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Notes to the financial statements continued

2.3 Summary of significant accounting policies continued

i) Profits reserve

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

j) 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.*

k) 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.

3. Total investment income

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

	2020 \$	2019 \$
Net realised gains of trading investments ¹	21,216,453	20,265,025
Gain/loss that had been unrealised in prior period for trading investments which were realised in the reporting period ²	(18,093,306)	(8,844,363)
Unrealised loss for change in fair value of trading investments	(53,813,448)	5,242,520
Net changes in fair value of trading investments	(50,690,301)	(16,663,182)
Interest income	195,345	214,688
Dividend income	3,369,179	4,206,591
Other income	173,711	29,074
Total investment (loss)/gain	(46,952,066)	21,113,535

¹ Net realised gains of trading investments is the difference between the selling price and the cost of the investments sold during the reporting period.

² Gain/loss that had been unrealised in prior period for trading investments which were realised in the reporting period, represents the 30 June 2019 unrealised fair value adjustments of investments sold in the reporting period.

Notes to the financial statements continued

4. Income tax

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

	2020 \$	2019 \$
Current tax		
Current income tax charge / (benefit)	761,829	1,676,601
Deferred tax		
Origination and reversal of temporary differences	(15,588,505)	1,287,693
Income tax (benefit)/ expense recognised in the Statement of profit or loss	(14,826,676)	2,964,294
Profit before income tax (benefit)/ expense	(49,744,148)	15,009,872
Prima facie tax expense on profit from ordinary activities before income tax expense at 30% (2019: 27.5%)	14,923,244	(4,127,715)
Deferred income tax expense		
- Imputation credits converted to losses	1,361,005	1,700,134
- Imputation credits on dividends received	(408,302)	(467,536)
Non-deductible expenses	(74)	313
Prior period adjustment	4,065	(69,490)
Adjustment for change in corporate tax rate	(1,055,811)	-
Other	2,549	-
Income tax benefit/ (expense) recognised in the Statement of profit or loss	14,826,676	(2,964,294)
Deferred tax		
Trading stock	(7,550,212)	(21,230,783)
Long term financial assets	-	-
Business establishment costs	57,737	78,176
Other	16,480	15,630
Losses available for offsetting against future taxable income	10,782,551	9,616,857
Net deferred tax asset/ (liabilities)	3,306,556	(11,520,120)

At 30 June 2020, the Company has estimated gross revenue tax losses of \$35,941,837 (2019: \$34,970,389) that are available to offset against future taxable revenue profits, subject to continuing to meet relevant statutory tests and have been recognised as a deferred tax asset.

In assessing the probability of the future realisation of carry forward tax losses and the extent to which a deferred tax asset for carry forward losses is to be recognised, the Company has considered market conditions existing at 30 June 2020 and has considered future economic uncertainties in the Company's forecast.

At 30 June 2020 the Company exceeded the ATO Base Rate Entity (BRE) Aggregate turnover threshold of \$50 million, therefore Company must apply a 30% tax rate in the current financial year (2019: 27.5%).

At 30 June 2020, the Company has estimated unused gross capital tax losses of \$30,714,821 (2019: \$30,714,821) for which no deferred tax asset has been recognised.

Notes to the financial statements continued

5. Dividends

	2020 \$	2019 \$
(a) Final Dividend FY 2020 not recognised at year end		
Since the end of the year, the Directors have declared a Final dividend of 1.27 cents per share (fully franked) which has not been recognised as a liability at the end of the financial year (2019: 1.14 cents per share).	2,540,910	2,321,259
(b) Dividend franking account		
Balance at 1 July	1,640,333	1,145,063
Franking credits received on dividends from investments	1,361,005	1,700,134
Franked dividends paid during the period	(1,494,526)	(1,204,864)
Balance at 30 June	1,506,812	1,640,333
Subsequent to reporting period, the franking account will reduce by the dividend proposed above	1,088,962	880,478
	417,850	759,855

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

	2020 \$	2019 \$
Cash at bank	6,561,555	3,774,665
Total cash and short-term deposits	6,561,555	3,774,665

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 after tax to net cash provided by operating activities:

	2020 \$	2019 \$
(Loss)/ profit for the year	(34,917,472)	12,045,578
Adjustments for non-cash items:		
Unrealised component of change in fair value of investments	71,906,754	3,601,843
Net gain on disposal of investments	-	-
Changes in Assets & Liabilities:		
(Increase)/decrease in receivables	(105,426)	53,077
(Increase)/decrease in financial assets	(10,315,605)	(19,180,366)
Increase in other assets	(1,210)	(2,824)
(Decrease)/increase in creditors & accrued expenses	(3,343,602)	418,108
Decrease in other financial liabilities	(13,601)	(52,957)
Increase in deferred tax liabilities	(14,826,676)	2,964,294
Net cash provided by /(used in) operating activities	8,383,162	(153,247)

Notes to the financial statements continued

7. Fair value measurement

To reflect the source of valuation inputs used when determining the fair value of its financial assets and financial liabilities, the Company uses the fair value hierarchy prescribed in AASB 13 Fair Value Measurement:

Level 1:	quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these investments is based on the last sale price for the security as quoted on the relevant exchange;
Level 2:	valuation techniques using market observable inputs, either directly or indirectly. The fair value of assets and liabilities with short-term maturities are valued at the amount at which the asset or liability could be exchanged in a current transaction between willing parties; and
Level 3:	valuation techniques using non-market observable data with the fair value for investments based on inputs determined by Directors' valuation.

The fair value measurement hierarchy of the Company's financial assets and financial liabilities is as follows:

	2020 \$	2019 \$
Assets measured at fair value		
Level 1: Listed equities	107,538,844	167,991,392
Level 2: -	-	-
Level 3: Long-term financial assets	6,375,000	7,500,000
Total financial assets	113,913,844	175,491,392
Total current	107,538,844	167,991,392
Total non-current	6,375,000	7,500,000
Liabilities measured at fair value		
Level 1: -	-	-
Level 2: -	-	-
Level 3: -	-	-
Total financial liabilities	-	-

Key inputs and sensitivities

The long-term financial asset represents the 25% ownership interest in 20 Cashews Pty Ltd (20C) which holds an underlying investment in the Australian Community Media Group (ACM) (incorporated in Australia). The fair value of TOP's investment in 20C is represented by the relative fair values of ACM (71%), shares in Prime Media Group Limited (20%) and realestateview.com.au investment (9%).

The fair value of Prime Media Group Limited and realestateview.com.au are based on observable market inputs. The fair value of ACM is determined by a discounted cash flow model (DCF) of the ACM operating business at 30 June 2020.

The DCF valuation includes inputs to the valuation that are considered Level 3 of the fair value hierarchy as the DCF valuation requires assumptions to be made to determine certain inputs that are not based on observable market data.

At reporting date, the key unobservable inputs used by the Company within its DCF valuation in determining the fair value of the ACM business, together with a quantitative sensitivity analysis as at 30 June 2020 is summarised below:

Notes to the financial statements continued

7. Fair value measurement continued

Key inputs and sensitivities continued

Unobservable inputs	Description	Sensitivity of the input to the fair value calculation	
EBITDA margin	The EBITDA margin represents the ACM's earnings before interest, tax, depreciation, and amortisation as a percentage of the ACM's total revenue.	1% increase \$3.9 million	1% decrease (\$3.9 million)
Long-term growth rate	A long-term growth rate of 0% is used to extrapolate the cash flows of the business beyond the five-year forecast period.	1% increase \$1.1 million	1% decrease (\$0.9 million)
Weighted average cost of capital (WACC)	The WACC (post-tax) of 13.3% is used to convert the forecast cash flow into present value terms. The WACC takes into account both the cost of debt and equity. Business-specific risk are incorporated by applying beta factors evaluated based on publicly available market data.	1% increase (\$1.6 million)	1% decrease \$1.9 million
Sale of surplus real estate	The cash inflows from non-core property sales are based on management's best estimate of potential sales outcomes (e.g. indicative sales price of properties on active sales campaign).	10% increase \$0.8 million	10% decrease (\$0.8 million)

The fair value of the Company's long-term term financial asset at 30 June 2019 was based on the investment made into 20C which was applied in the acquisition of ACM group at 30 June 2019.

Level 3 transfers

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Reconciliation of recurring fair value measurements categorised within Level 3 is as follows:

Financial assets: Level 3	Financial assets	Listed options	Total
Balance at 1 July 2019	7,500,000	-	7,500,000
Unrealised loss recognised in statement of comprehensive income	(1,125,000)	-	(1,125,000)
Balance at 30 June 2020	6,375,000	-	6,375,000
Balance at 1 July 2018	-	838,559	838,559
Transfer to Level 1 upon exercise of options	-	(838,559)	(838,559)
Long-term financial assets	7,500,000	-	7,500,000
Balance at 30 June 2019	7,500,000	-	7,500,000

Notes to the financial statements continued

8. Financial assets

	2020 \$	2019 \$
Financial assets at fair value through profit or loss		
Listed equities ¹ and listed options and unlisted equities ²	113,913,844	175,491,392
Total financial assets		
Total current	107,538,844	167,991,392
Total non-current	6,375,000	7,500,000

¹ 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).

² Measured at fair value using Directors' valuations which are deemed a Level 3 input under the fair value hierarchy as prescribed in AASB 13.

9. Receivables

	2020 \$	2019 \$
Dividend clearing	102,455	-
Sundry debtor	2,500	205
GST	1,585	909
Total receivables	106,540	1,114

Dividend clearing represents interim dividend of 0.2 cents per share payable from ANG. In the current financial year payment of the dividend was deferred until 30 September 2020. The carrying value of receivables approximates fair value.

10. Payables

	2020 \$	2019 \$
Management fee payable	952,493	1,363,145
Performance fee payable	-	3,106,092
Dividend payable	455,525	-
Outstanding settlements	291,847	118,807
Sundry creditors and accruals	107,758	153,152
Total payables	1,807,623	4,741,196

Dividend payable represents the deferred payment of dividend to Thorney Holdings Pty Ltd, which is non-interest bearing and unsecured. Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within 2 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.

Notes to the financial statements continued

11. Issued capital

	2020 Number of shares	2019 Number of shares	2020 \$	2019 \$
(a) Ordinary shares				
Balance at 1 July	203,619,230	203,619,230	105,585,376	105,585,376
Ordinary shares issued:				
Share buy-back ¹	(3,547,551)	-	(2,212,014)	-
Costs of buy-back	-	-	(3,673)	-
Total issued and authorised capital	200,071,679	203,619,230	103,369,689	105,585,376

¹ On 5 December 2019 the Company announced its intention to conduct an On-Market Share buy-back from the period 19 December 2019 to 18 December 2020 unless the maximum number of shares are bought back prior to this date or TOP decides to cease the buy-back. At 30 June 2020 3,547,551 shares had been bought back, with 16,814,372 shares remaining to be purchased.

(b) 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.

12. Reserve

	2020 \$	2019 \$
Profits reserve	108,890,443	88,486,055
<u>Movement in profits reserve:</u>		
Balance at 1 July	88,486,055	56,649,833
Transfers from retained earnings	24,195,002	35,012,683
Dividends paid	(3,790,614)	(3,176,461)
Balance at 30 June	108,890,443	88,486,055

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

Notes to the financial statements continued

13. Earnings per share

	2020	2019
Basic and diluted (loss)/earnings per share (cents)	(17.24)	5.92
(Loss)/earnings used in calculating basic and diluted earnings per share (\$)	(34,917,472)	12,045,578
	2020 Number of Shares	2019 Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	202,489,035	203,619,230

14. 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.

15. Auditor's remuneration

	2020 \$	2019 \$
Remuneration of the auditor for: Audit and review of financial reports	69,410	62,920

Notes to the financial statements continued

16. 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.

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. This is except for the investment in unlisted investments, which represent 6% (2019: 4%) of total investments.

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 and unlisted 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 and unlisted equity securities at fair value was \$113,913,844 (2019: \$175,491,392). A decrease of 10% in share value of securities held could have an impact of approximately \$11,391,384 (2019: \$17,549,139) 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

16. 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.

17. 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 2020:

Services from and reimbursements to related parties ¹	2020 \$	2019 \$
<i>Entities with significant influence over the Company:</i>		
Thorney Management Services Pty Ltd	2,205,416	5,442,021
TIGA Trading Pty Ltd	52,000	52,000
Arnold Bloch Leibler	60,639	59,848

¹ 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 2020 a base fee of \$2,205,416 (2019: \$2,411,687) and a performance fee of \$0 (2019: \$3,030,334) 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 2020 financial year (2019: \$52,000).

TMS, TIGA Trading Pty Ltd, Thorney Holdings 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)*.

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 \$5,889 (2019: \$5,098).

In accordance with the terms of Mr Lanzer's appointment, a payment of \$54,750 was paid or payable to Arnold Bloch Leibler as remuneration for his role as a Director of the Company (2019: \$54,750).

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.

Notes to the financial statements continued

17. Related party transactions continued

Key Management Personnel received the following remuneration amounts:

	2020	2019
	\$	\$
Short-term benefits	154,750	154,750
Post-employment benefits	9,500	9,500
Total remuneration	164,250	164,250

18. Contingent liabilities and commitments

The Company has no contingent liabilities or commitments as at 30 June 2020.

19. Events subsequent to balance date

There were no events subsequent to balance date.

20. Parent entity information

The parent entity information is materially consistent with the financial information as the Company's unconsolidated subsidiary has not commenced trading.

21. Group information

The parent entity is Thorney Opportunities Ltd and its unconsolidated subsidiary is detailed in the following table:

Name of entity	Country of incorporation	Ownership	
		2020	2019
Subsidiary 87 Truca Pty Ltd	Australia	100%	100%

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 2020 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2020 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 2020.

On behalf of the Board,



Alex Waislitz
Chairman

Melbourne, 25 August 2020



**Building a better
working world**

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Independent Auditor's Report to the Members of Thorney Opportunities Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Thorney Opportunities Ltd (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



Building a better
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Fair value measurement and existence of investments

Why significant

The Company invests in listed and unlisted financial assets valued at \$113.9 million at 30 June 2020, which represents 91.9% of the total assets of the Company.

The investment portfolio includes \$107.5 million of listed equities and \$6.4 million equity investment in an unlisted company.

As outlined in Note 7 to the financial report, these assets are carried at fair value through profit and loss. Fair value is assessed based on quoted (unadjusted) prices in active markets at reporting date for listed equities and through a discounted cash flow model for the unlisted equity investment. The assumptions used in the discounted cash flow model require judgement, based on conditions existing and emerging at 30 June 2020.

The fair value measurement and existence of investments is a key audit matter because it represents a principal element of the Company's total assets due to its size and the judgement involved in measuring the unlisted investment.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ For the listed equity investments:
 - ▶ Obtained and considered the independent assurance report that describes the effectiveness of the operational processes and controls of the Company's asset custodian.
 - ▶ Agreed the quantity of all listed equity investments to the custodial statement.
 - ▶ Agreed the fair value of all equity investments to market closing prices at reporting date.
- ▶ With the assistance of our valuation and modeling specialists, for the equity investment in an unlisted company we:
 - ▶ Evaluated the reasonableness of key assumptions applied in the discounted cash flow model.
 - ▶ Assessed the key inputs such as discount rates, forecast cash flows and terminal growth rate and agreed these inputs to supporting documents, where applicable.
 - ▶ Tested the mathematical accuracy of the discounted cashflow model.
 - ▶ Benchmarked market multiples to observable external market data from comparable entities.
- ▶ Assessed the adequacy of the disclosures included in Note 7 to the financial report.

Investment management and performance fees

Why significant

The Company pays its Investment Manager, Thorney Management Services Pty Ltd (TMS), a related party, fees as stipulated in the Investment Management Agreement (IMA). There is a base management fee of 0.75% of gross assets and a performance fee of 20% of the increase in net asset value net of base management fee for the year. The base management fee is calculated half yearly while the performance fee is calculated on an annual basis.

For the year ended 30 June 2020, a base management fee of \$2.3 million and a performance fee of nil were recognised.

Investment management and performance fees is a key audit matter because they are of interest to key stakeholders as they represent significant expenses that reduce the net tangible assets of the Company and paid to a related party.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Determined whether the calculation of the base management fee and performance fee expenses were in accordance with the IMA.
- ▶ Agreed key inputs used in the base management fee and performance fee calculations, including gross assets, in the case of base management fees, and the net asset increase, in the case of performance fees, to the statement of financial position.
- ▶ Recalculated the base management fee and performance fee and compared the recalculated amounts to the expenses recognised in the statement of comprehensive income.

Information Other than the Financial Report and Auditor's Report Thereon

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 12 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Thorney Opportunities Ltd for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Tony Morse
Partner

Melbourne
25 August 2020

Shareholder information

As at 22 August 2020

Voting rights

All ordinary shares carry one vote per share without restriction.

Distribution of shareholders

Category	Ordinary Shareholders
1 – 1,000 shares	315
1001 – 5,000 shares	417
5001 – 10,000 shares	240
10,001 – 100,000 shares	986
100,001 or more shares	235
Total number of holders	2,193
Number of shareholders holding less than a marketable parcel	222

20 largest shareholders of ordinary shares

Name	Number of shares	% of issued capital
THORNEY HOLDINGS PROPRIETARY LIMITED	52,684,531	26.33%
RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	21,000,000	10.50%
TIGA TRADING PTY LTD	6,570,159	3.28%
ELPHINSTONE HOLDINGS PTY LTD	5,780,000	2.89%
NCOBF PTY LTD <N & C O'BRIEN FAM FOUND A/C>	2,589,000	1.29%
LANGBURGH PTY LTD <MARC BESEN FAMILY TR A/C>	2,500,000	1.25%
FRANK COSTA SUPERANNUATION PTY LTD <SHIRLEY COSTA SUPER FUND A/C>	2,000,000	1.00%
MRS NOLA ISABEL CRIDDLE <CRIDDLE INVESTMENT FUND A/C>	1,750,000	0.87%
TAMIT NOMINEES PTY LTD <THE ITESCU FAMILY A/C>	1,352,025	0.68%
AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	1,344,068	0.67%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,185,793	0.59%
PICTON COVE PTY LTD	1,072,131	0.54%
BLACKCAT HOLDINGS PTY LTD	1,055,000	0.53%
JAIN FAMILY SUPER PTY LTD <JAIN FAMILY SUPER FUND A/C>	1,002,687	0.50%
DEEMCO PTY LIMITED	956,850	0.48%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	947,823	0.47%
DENATA PTY LTD <HAYMET S/F A/C>	900,000	0.45%
OBFT PTY LTD <O'BRIEN FAMILIES A/C>	829,356	0.41%
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	782,705	0.39%
BERNE NO 132 NOMINEES PTY LTD <W 1253672 A/C>	776,131	0.39%

Substantial shareholders

Name	Number of shares	Voting Power %
THORNEY HOLDINGS PROPRIETARY LIMITED	60,160,052	30.07%
RUBI HOLDINGS PTY LTD	21,000,000	10.50%

Shareholder information continued

List of investments

	Market value as at 30 June 2020 \$
Money3 Corporation Limited	20,568,790
Service Stream Limited	12,185,504
AMA Group Limited	12,007,100
Palla Pharma Limited	11,805,710
Decmil Group Limited	7,677,663
OneVue Holdings Limited	6,998,266
Southern Cross Electrical Engineering Limited	6,971,198
Austin Engineering Limited	6,659,563
MMA Offshore Limited	3,896,133
Mesoblast Limited	3,250,000
Retail Food Group Limited	2,999,500
Cooper Energy Limited	2,871,895
Consolidated Operations Group Limited	2,407,419
Murray River Organics Limited	2,312,894
Ardent Leisure Group	1,190,308
Tinybeans Group Limited	1,000,263
Other listed investments	2,736,638
Total listed investments	107,538,844
Australian Community Media Group	6,375,000
Total unlisted investments	6,375,000
Total investments	113,913,844

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