

Thorney Opportunities Ltd

ABN 41 080 167 264

Appendix 4D and 2017 Half-Year Financial Statements

December 2016

APPENDIX 4D (Listing Rule 4.2A3)

Financial statements for the half-year ended 31 December 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended
31 December 2015)

	\$'000s	Up/Down	Movement
Revenue from ordinary activities	28,342	Up	176%
Profit (loss) after tax for the year	16,366	Up	127%

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2017 Interim dividend per share	0.60	0.60	30%
2016 Final dividend per share	0.60	0.60	30%
2016 Interim dividend per share	0.55	0.55	30%

2017 Interim dividend dates

Ex-dividend date	15 March 2017
Record date	16 March 2017
DRP Election date	17 March 2017
Final dividend payment date	5 April 2017

A Dividend Reinvestment Plan (DRP) will operate in respect of the *2017 Interim dividend* and no discount will be applied. The last date for receipt of election notices to participate in the DRP is 17 March 2017.

	31 Dec 2016	31 Dec 2015	Movement
Net tangible asset backing per ordinary share	69.9 cents	55.8 cents	Up 25%

This information should be read in conjunction with the 2016 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 2017 half-year financial statements of Thorney Opportunities Ltd, which have been reviewed by Ernst & Young. The Independent Auditor's Review Report provided by Ernst & Young is included in the 31 December 2016 half-year financial statements.

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 Lanzer AM Dr Gary Weiss
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
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.

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Chairman's letter

Dear fellow shareholders,

I am pleased to report that Thorney Opportunities Ltd (TOP) has recorded a net profit after tax (net of management fees) of \$16.366 million for the six months ended 31 December 2016, representing an increase of 127% over the prior corresponding period.

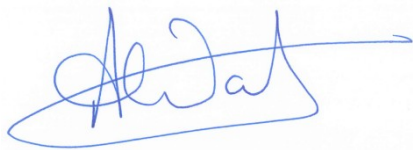
The Directors have declared a fully franked 2017 interim dividend of 0.60 cents per share, an increase of 9% over the 2016 interim dividend. TOP shares will trade ex-dividend on 15 March 2017 with the dividend being paid on 5 April 2017.

As at 31 December 2016, TOP's net tangible asset backing per share (NTA) was circa 70 cents per share which is up 25% on the 31 December 2015 NTA of 56 cents and up 56% since inception of TOP in November 2013.

In March 2017, following the financial reporting of all TOP portfolio investments, I plan to send you a shareholder update which will provide some insight on the reported results and developments in the significant investment positions held by TOP.

I look forward to communicating with you again soon.

Yours sincerely,

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

Alex Waislitz
Chairman

30 January 2017

Director's report

The directors present their report, together with the financial statements of Thorney Opportunities Ltd (TOP or Company) for the half-year ended 31 December 2016 and the auditor's review report thereon. The financial statements have been reviewed and approved by directors on the recommendation of the Audit and Risk Committee.

1. Directors

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

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

2. Principal activities

Thorney Opportunities Ltd is a listed investment company with a flexible investment mandate which focuses primarily on public listed companies and where opportunity exists for latent value to be unlocked over the medium to long term.

3. Review of operations

Profit after tax for the half-year under review was \$16,365,559, an increase of \$9,148,362 on the previous corresponding half-year profit of \$7,217,197.

The Net Tangible Asset Backing per share at 31 December 2016 was 69.9 cents per share (2015: 55.8). These figures are after the payment of 0.6 cents per share fully franked dividend during the period (2015: 0.5).

A final dividend of 0.6 cents per share fully franked was paid during the half-year and an interim dividend of 0.6 cents per share fully franked has been declared by the Board and will be paid on 5 April 2017.

4. Auditor's independence declaration

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

Signed in accordance with a resolution of directors:

Alex Waislitz
Chairman

Melbourne, 30 January 2017

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

As lead auditor for the review of Thorney Opportunities Limited for the half-year ended 31 December 2016, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Kester Brown
Partner

Melbourne
30 January 2017

Statement of comprehensive income

For the half-year ended 31 December 2016

	Note	December 2016 \$	December 2015 \$
Income			
Net changes in fair value of trading investments		26,320,417	8,215,363
Interest received		679,997	860,988
Dividend income		1,340,806	1,114,010
Other income		801	86,114
Total investment income		28,342,021	10,276,475
Expenses			
Management fees	6	(995,715)	(831,471)
Performance fees	6	(4,220,050)	(1,861,038)
Directors' fees		(84,863)	(84,863)
Finance costs		(33,204)	(96,043)
Fund administration and operational costs		(59,798)	(65,177)
Legal and professional fees		(83,682)	(87,561)
Other administrative expenses		(25,699)	(33,125)
Total expenses		(5,503,011)	(3,059,278)
Profit before income tax		22,839,010	7,217,197
Income tax (expense)/benefit	2	(6,473,451)	-
Total comprehensive profit for the half-year		16,365,559	7,217,197
Basic and diluted earnings per share	7	9.66	4.28

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

Statement of financial position

As at 31 December 2016

	Note	December 2016 \$	June 2016 \$
ASSETS			
Current assets			
Cash and short-term deposits		2,766,430	8,091,960
Financial assets	4	112,112,626	93,324,033
Receivables		40,282	125,039
Other assets		48,837	10,017
Total current assets		114,968,175	101,551,049
Non-current assets			
Financial assets	4	14,555,716	13,521,492
Deferred tax assets	3	-	880,765
Total non-current assets		14,555,716	14,402,257
TOTAL ASSETS		129,523,891	115,953,306
LIABILITIES			
Current liabilities			
Accounts payable and provisions		5,378,743	5,285,671
Borrowings	4	-	7,413,726
Derivative financial instruments	4	74,000	241,332
Total current liabilities		5,452,743	12,940,729
Non-current liabilities			
Deferred tax liabilities	3	5,592,686	-
Total non-current liabilities		5,592,686	-
TOTAL LIABILITIES		11,045,429	12,940,729
NET ASSETS		118,478,462	103,012,577
EQUITY			
Issued capital	5	81,509,584	81,393,308
Profits reserve		36,968,878	21,619,269
TOTAL EQUITY		118,478,462	103,012,577

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

Statement of changes in equity

For the half-year ended 31 December 2016

	Issued capital \$	Profits reserve \$	Accumulated profits/(losses) \$	Total equity \$
Balance at 1 July 2016	81,393,308	21,619,269	-	103,012,577
Profit for the half-year	-	-	16,365,559	16,365,559
Total comprehensive income for the half-year	-	-	16,365,559	16,365,559
Transfer to Profits Reserve	-	16,365,559	(16,365,559)	-
<u>Transactions with shareholders:</u>				
Dividends paid	-	(1,015,950)	-	(1,015,950)
Shares issued via dividend reinvestment plan (DRP)	116,276	-	-	116,276
Total transactions with shareholders	116,276	(1,015,950)	-	(899,674)
Balance as at 31 December 2016	81,509,584	36,968,878	-	118,478,462

For the half-year ended 31 December 2015

	Issued capital \$	Profits reserve \$	Accumulated profits/(losses) \$	Total equity \$
Balance at 1 July 2015	80,975,125	11,551,886	(4,800,903)	87,726,108
Profit for the half-year	-	-	7,217,197	7,217,197
Total comprehensive income for the half-year	-	-	7,217,197	7,217,197
Transfer to Profits Reserve	-	14,743,825	(14,743,825)	-
<u>Transactions with shareholders:</u>				
Dividends paid	-	(842,185)	-	(842,185)
Shares issued via dividend reinvestment plan (DRP)	321,568	-	-	321,568
Cost of shares issued	(1,819)	-	-	(1,819)
Total transactions with shareholders	319,749	(842,185)	-	(522,436)
Balance as at 31 December 2015	81,294,874	25,453,526	(12,327,531)	94,420,869

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

Statement of cash flows

For the half-year ended 31 December 2016

	December 2016 \$	December 2015 \$
Cash from operating activities:		
Interest received	640,929	927,096
Dividends received	1,340,806	1,114,010
Proceeds from sale of trading investments	16,320,650	5,564,604
Payments for trading investments	(8,990,164)	(25,813,076)
Payments to suppliers and employees	(5,409,662)	(3,448,806)
Finance costs	(33,204)	(96,043)
Other income received	124,593	86,114
Net cash provided by/(used in) operating activities	3,993,948	(21,666,101)
Cash flows from investing activities:		
Payments for long-term investments	(1,000,192)	-
Net cash (used in) investing activity	(1,000,192)	-
Cash flows from financing activities:		
(Repayment of)/proceeds from borrowings	(7,413,726)	10,036,312
Payment for transaction costs	-	(1,819)
Dividends paid (net of DRP)	(905,560)	(471,114)
Net cash (used in)/provided by financing activities	(8,319,286)	9,563,379
Net decrease in cash held	(5,325,530)	(12,102,722)
Cash at the beginning of the year	8,091,960	33,793,023
Cash at the end of the year	2,766,430	21,690,301

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

Notes to the financial statements

The half-year financial statements of Thorney Opportunities Ltd for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2017.

1. Summary of accounting policies

(a) Basis of preparation

The half-year financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial statements do not include all of the information required for full-year statements. Accordingly, these financial statements should be read in conjunction with the financial statements for the year ended 30 June 2016 and any public announcements made by Thorney Opportunities Ltd during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Changes in Accounting Standards

The accounting policies adopted in the preparation of the financial statements half-year ended 31 December 2016 are consistent with those of the most recent annual financial report. The impact of adopting any amendments to standards was not material.

2. 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:

	December 2016	December 2015
Current tax		
Current income tax charge / (benefit)	1,890,427	(3,953,859)
Deferred tax		
Origination and reversal of temporary differences	4,583,024	3,953,859
Income tax expense recognised in the Statement of profit or loss	6,473,451	-
Profit before income tax expense	22,839,010	7,217,197
Prima facie tax expense on profit from ordinary activities before income tax expense at 30% (2015: 30%)	(6,851,703)	(2,165,159)
Deferred income tax expense		
- Imputation credits converted to losses	540,359	455,807
- Imputation credits on dividends received	(162,107)	(136,742)
- Tax losses utilised – not previously recognised	-	1,745,511
- Other adjustments	-	100,583
Income tax expense recognised in the Statement of profit or loss	(6,473,451)	-

Notes to the financial statements continued

3. Deferred tax

	December 2016	June 2016
Deferred tax		
Financial assets	(16,466,561)	(10,682,589)
Business establishment costs	217,137	290,466
Other	1,284,226	10,437
Losses available for offsetting against future taxable income	9,372,025	11,262,451
Net deferred tax (liabilities)/assets	(5,592,687)	880,765

At 31 December 2016, the Company has estimated unused gross capital tax losses of \$30,714,116 (June 2016: \$30,714,116) and gross revenue tax losses of \$31,240,082 (June 2016: \$37,541,505) that are available to offset against future taxable capital and revenue profits, subject to continuing to meet relevant statutory tests.

4 Fair value measurements

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:

- 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:

	December 2016	June 2016
Assets measured at fair value		
Level 1: Listed equities	109,677,626	92,244,033
Level 2: -	-	-
Level 3: Long-term financial assets ¹ , and listed options ²	16,990,716	14,601,492
Total financial assets	126,668,342	106,845,525
Total current	112,112,626	93,324,033
Total non-current	14,555,716	13,521,492
Liabilities measured at fair value		
Level 1: Derivative financial instruments	74,000	241,332
Level 2: Borrowings ³	-	5,285,671
Level 3: -	-	-
Total financial liabilities	74,000	12,940,729

¹ Long-term financial assets are valued using a discounted cash flow model. Key inputs to the discounted cash flow model include the principal value of unlisted interest bearing securities, the applicable coupon rate (9%-11.5%) and a discount rate of 7.82% (30 June 2016: 7.82% - 8.32%).

² Listed options are valued using a Black-Scholes option pricing model (due to lack of trading activity during the period). Key inputs to the model include the exercise price (\$1.296), the stock price at 31 December 2016 (\$1.68), and volatility.

³ Borrowings are valued using bank valuation due to their short term nature.

Notes to the financial statements continued

4 Fair value measurements (continued)

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:	Bonds	Options	Total
Balance at 1 July 2016	13,521,492	1,080,000	14,601,492
Unrealised gain recognised in Statement of comprehensive income	34,032	1,355,000	1,389,032
Purchases of long-term financial assets	1,000,192	-	1,000,192
Balance at 31 December 2016	14,555,716	2,435,000	16,990,716
Balance at 1 July 2015	10,277,672	-	10,277,672
Unrealised gain recognised in Statement of comprehensive income	243,307	80,000	323,307
Transfers from Level 1	-	1,000,000	1,000,000
Purchases of long-term financial assets	3,000,513	-	3,000,513
Balance at 30 June 2016	13,521,492	1,080,000	14,601,492

5. Issued capital

	December 2016 Number of shares	June 2016 Number of shares	December 2016 \$	June 2016 \$
(a) Ordinary shares				
Balance at 1 July	169,324,894	168,436,720	81,393,308	80,975,125
Shares issued under DRP	173,496	888,174	116,276	420,003
Share issue costs (net of tax)	-	-	-	(1,820)
Total issued and authorised capital	169,498,390	169,324,894	81,509,584	81,393,308

Notes to the financial statements continued

6. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 31 December 2016 and 2015:

	Services from and transactions with related parties¹	
	December 2016	December 2015
	\$	\$
<i>Entities with significant influence over the Company:</i>		
Thorney Management Services Pty Ltd ¹	995,715	831,471
TIGA Trading Pty Ltd	26,000	26,000
Thorney Holdings Proprietary Limited ²	9,399	-
<i>Related parties of key management personnel of the Company:</i>		
Arnold Bloch Leibler	2,092	-

All related party transaction amounts are shown exclusive of GST

¹ An estimate of performance fees payable to the Investment Manager, Thorney Management Services Pty Ltd, of \$4,220,050 has been made in the financial accounts for the half-year ended 31 December 2016 (2015: \$1,861,038).

² The Company has sold its investment in Australian Renewable Fuels Limited (renamed Thorney Technologies Ltd), which had been valued at \$nil in the Company's books, to Thorney Holdings Proprietary Limited.

7. Earnings per share

	December 2016	December 2015
Basic and diluted earnings per share (cents)	9.66	4.28
Earnings used in calculating basic and diluted earnings per share (\$)	16,365,559	7,217,197
	2016 Number of Shares	2015 Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	169,408,813	168,736,805

At 31 December 2015 there were 84,069,288 unexercised options. The unexercised options were excluded from the diluted earnings per share calculation as they were anti-dilutive. The options lapsed on 22 April 2016.

Notes to the financial statements continued

8. Dividends

Dividends paid and payable by the Company during the half-year:

	December 2016	December 2015
(a) Final Dividend FY 2016 A fully franked dividend of 0.6 cents per share for the year ended 30 June 2016 was paid on 4 October 2016	1,015,950	842,185
(b) Interim Dividend FY 2017 not recognised at half-year end Since the end of the half-year, the Directors have declared a 0.6 cents per share fully franked dividend which has not been recognised as a liability at the end of the half-year	1,016,990	930,246

9. Contingent liabilities

The Company has no contingent liabilities as at 31 December 2016 (2015: nil).

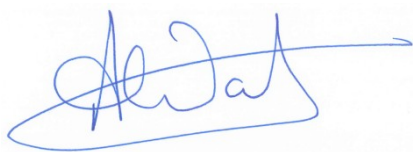
Directors' declaration

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 half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Alex Waislitz
Chairman

Melbourne, 30 January 2017

To the members of Thorney Opportunities Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Thorney Opportunities Ltd, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Thorney Opportunities Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Thorney Opportunities Limited is not in accordance with the Corporations Act 2001, including:

- i giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended; and
- ii complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*



Ernst & Young



Kester Brown
Partner

Melbourne
30 January 2017