

# THORNEY TECHNOLOGIES LTD

(formerly Australian Renewable Fuels Limited)

ABN: 66 096 782 188

## Appendix 4E & 2017 Annual report

# Thorney Technologies Ltd

(formerly Australian Renewable Fuels Limited)

ABN 66 096 782 188

## Appendix 4E

For the year ended 30 June 2017

*Previous corresponding period: year ended 30 June 2016*

### Results for announcement to the market:

	30 June 2017 \$A'000	30 June 2016 \$A'000	Up/ Down	Movement \$A'000
Revenue from ordinary activities	0	0	-	0
Profit/(loss) from ordinary activities after tax attributable to members	3,278	(20,460)	Up	23,738
Net profit/(loss) for the period attributable to members	3,278	(20,460)	Up	23,738

No dividends have been declared for the year ended 30 June 2017.

	30 June 2017 \$A	30 June 2016 \$A
<b><u>Additional information</u></b>		
Net tangible assets after tax per ordinary security <sup>1</sup>	22.70	(140.6)

<sup>1</sup> The comparative net tangible asset backing per ordinary security number has been adjusted for the 1:100 Share Consolidation that occurred on 16 December 2016.

This information should be read in conjunction with the 2017 Annual Report of Thorney Technologies Ltd (formerly Australian Renewable Fuels Limited) and any public announcements made in the period by Thorney Technologies Ltd (formerly Australian Renewable Fuels Limited) in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

This report is based on the consolidated 30 June 2017 annual report which has been audited by Ernst & Young with the independent auditor's report included in the 30 June 2017 year-end financial report.

# Thorney Technologies Ltd

(formerly Australian Renewable Fuels Limited)

ABN 66 096 782 188

## Corporate information

### *Company secretary*

Craig Smith  
Level 39, 55 Collins Street  
Melbourne VIC 3000

### *Principal registered office and postal address*

Level 39, 55 Collins Street  
Melbourne VIC 3000

### *ASX code*

TEK

### *Share registry*

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

### *Solicitors*

Arnold Bloch Leibler  
Level 21, 333 Collins Street  
Melbourne VIC 3000

### *Bankers*

Australia and New Zealand Banking Group Limited  
55 Collins Street  
Melbourne VIC 3000

### *Auditors*

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000

### *Website*

[www.thorneytechnologies.com.au](http://www.thorneytechnologies.com.au)

# Thorney Technologies Ltd

(formerly Australian Renewable Fuels Limited)

ABN 66 096 782 188

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# Thorney Technologies Ltd

(formerly Australian Renewable Fuels Limited)

ABN 66 096 782 188

## Chairman's letter

Dear fellow shareholder,

I am delighted to present Thorney Technologies Ltd's (TEK) inaugural Annual Report for the 12 months ended 30 June 2017.

Although TEK re-listed as a Listed Investment Company in January 2017 and so did not operate for the full 12 month period, your company has delivered a net profit after tax of \$3,278,487.

After completing the process of recapitalising and re-listing, the Thorney Management Services investment team quickly set about investing TEK's capital in technology-based companies at every stage of the business life cycle with the aim of achieving superior investment returns such as those reported by TEK's associate, Thorney Opportunities Ltd (TOP).

With approximately 50% of TEK's capital deployed, I am pleased to report that the Company's net tangible assets per share (NTA) has risen steadily over the period closing at 22.7 cents per share on 30 June 2017. Since 30 June, the NTA has continued to increase, sitting at 22.8 cents per share as at 31 July 2017.


In addition to this encouraging NTA performance the TEK share price has remained consistently above the equity raising issue price and currently sits at a modest premium to the most recent reported NTA.

Overall, I have been delighted with the early performance of the TEK investment portfolio. TEK continues to cautiously deploy the Company's investment capital in new and compelling investments.

I intend to maintain a regular line of communication with all shareholders, especially when there are developments within TEK's portfolio companies which warrant highlighting. I will distribute my next Chairman's Update after the current statutory financial reporting period. All previous Chairman's Updates can be found on TEK's website [here](#).

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

Kind regards,

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

**Alex Waislitz**  
Chairman

30 August 2017

# Thorney Technologies Ltd

(formerly Australian Renewable Fuels Limited)

ABN 66 096 782 188

## Directors' report

The Directors of Thorney Technologies Ltd (formerly Australian Renewable Fuels Limited) (TEK, ARW or Company) present their report, together with the financial statements for the year ended 30 June 2017 (FY17) and the auditor's report thereon. The financial statements have been reviewed and approved by Directors on the recommendation of the Audit and Risk Committee.

### 1. Directors

The Directors in office during the financial year and at the date of this report (unless otherwise stated) were as follows:

Current Directors	Appointed	Retired	Position
Alex Waislitz <sup>1</sup>	9 December 2016	-	Chairman
Jeremy Leibler	9 December 2016	-	Non-executive director
Alan Fisher <sup>2</sup>	29 August 2014	-	Non-executive director
Martin Casey	22 June 2016	-	Non-executive director
Craig Smith <sup>3</sup>	22 June 2016	9 December 2016	Non-executive director

<sup>1</sup> Alex Waislitz was appointed Chairman on 9 December 2016.

<sup>2</sup> Alan Fisher retired as Chairman at the conclusion of the 2016 AGM on 9 December 2016.

<sup>3</sup> Craig Smith retired from office at the conclusion of the 2016 AGM but remains as Secretary.

### Information on directors

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

Alex Waislitz was appointed Chairman of the Company on 9 December 2016.

Mr Waislitz is Chairman of Thorney Opportunities Ltd [ASX:TOP] and is the founder and Chairman of Thorney Investment Group, one of Australia's most successful private investment groups. He has extensive business and capital markets experience and has been on several public company boards.

He is Vice President of the Collingwood Football Club Limited and has been a director since 1998.

Mr Waislitz has established the Waislitz Foundation and the Waislitz Family Foundation. These registered 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.

#### Jeremy Leibler BComm, LLB(Hons), Non-executive Director

Jeremy Leibler was appointed a director of the Company on 9 December 2016.

Mr Leibler is a partner at Arnold Bloch Leibler specialising in commercial and corporate law with a particular focus on mergers and acquisitions, public and private capital raisings and shareholder activism and board disputes.

In 2015, Mr Leibler was appointed by the Governor General, the Hon Sir Peter Cosgrove, as a member of the Australian Takeovers Panel and is a member of the Corporations Committee of the Business Law Section of the Law Council of Australia and a board member of Leibler Yavneh College.

# Directors' report (continued)

## 1. Directors (continued)

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### Information on current directors (continued)

#### **Alan Fisher BCom, FCA, MAICD, Non-executive Chairman**

Alan Fisher was appointed Chairman of the Company on 29 August 2014.

Mr Fisher has extensive business and corporate finance experience and in particular has expertise in M&A, strategic advice, business restructurings and capital raisings.

Mr Fisher is currently the chairman of Centrepont Alliance Limited and is a current director of IDT Australia Limited and Bionomics Limited. He has previously held positions as Chief Executive Officer of Pental Limited and as Managing Director of HRL Limited.

Mr Fisher holds a Bachelor of Commerce from Melbourne University, is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

#### **Martin Casey BEc, LLB (Monash), Non-executive Director**

Martin Casey was appointed a director of the Company on 22 June 2016.

Mr Casey is a corporate adviser, with experience as an investment banker and qualified lawyer and he advises a number of clients including Thorney Investment Group.

Mr Casey is a current director of ADG Global Supply Limited and also a partner in VC technology fund Rampersand.

Mr Casey was previously a Director of Corporate Advisory at investment bank Credit Suisse and before that, a partner in an international law firm, (now Norton Rose Fulbright).

## 2. Company secretary

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

Craig Smith was appointed secretary and director of the Company on 22 June 2016. He retired as a director at the conclusion of the 2016 Annual General Meeting.

Mr Smith has been the Company Secretary of the private Thorney Investment Group since 2009 and the ASX Listed Investment Company, Thorney Opportunities Ltd, since 2013. He was formerly CFO / Company Secretary of Baxter Group Limited and Tolhurst Noall Limited.



# Directors' report (continued)

## 3. Principal activities

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Thorney Technologies is an investment company listed on the Australian Securities Exchange [ASX:TEK]. Its principal activity is investing in global, listed and unlisted, technology investments at all phases of the investment lifecycle.

The Company began the 2017 financial year in administration as a dormant listed (suspended) corporate shell and by January 2017 had been recapitalised and transformed into a listed *investment entity*.

## 4. Result

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The Company's net profit after tax for the 2017 financial year was \$3,278,487 (2016: loss of \$20,459,569).

The net tangible assets (NTA) were 22.7 cents per share (2016: (140.6) cents per share).

## 5. Review of operations

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Between 20 January 2016 and 22 September 2016 the Company was in Administration and controlled by the Administrators, PPB Advisory.

An interim board, chaired by Mr Alan Fisher, took control of the Company following retirement of the Administrators. This Board canvassed a number of business alternatives for ARW which led ultimately to the *Thorney proposals* being put before shareholders at the 2016 Annual General Meeting.

In December 2016 the current Board, chaired by Mr Alex Waislitz, assumed day-to-day management control of the Company and executed the transformation and recapitalisation proposals approved by shareholders.

The *Thorney proposals*, approved on 9 December 2017, have been fully implemented and included:

- a name change to Thorney Technologies Ltd;
- a 1:100 share consolidation on 16 December 2016;
- an equity raise of \$42.5 million in cash and seed investments;
- the appointment of Thorney Management Services Pty Ltd as Investment Manager (with effect from 11 January 2017); and
- re-listing on the ASX on 18 January 2017 under the ticker code "TEK".

Since commencement of the Investment Management Agreement on 11 January 2017, the NTA (after fees and corporate expenses) has increased from an opening NTA of 20.8 cents per share (cps) to 22.7 cps, an annualised increase of 20%.

At 30 June 2017 the Investment Manager has deployed circa 50% of the capital raised and has acquired financial assets with a fair value of \$25,311,774.

A number of the initial investments have been co-investments with the private Thorney Investment Group (TIG). Under Australian corporations law, TIG, TEK and Thorney Opportunities Ltd (TOP) are deemed *associates* which means their holdings are combined when determining the percentage of voting shares owned for substantial holding purposes.



# Directors' report (continued)

## 5. Review of operations (continued)

The Company has filed a number of initial substantial holding notices with the ASX during 2017 for the following investee companies:

ASX	Company	TEK <sup>1</sup>	TOP <sup>2</sup>	TIG <sup>3</sup>	Total
ADA	Adacel Technologies Limited	0.39%	-	31.87%	32.26%
ANR	Anatara Lifesciences Limited	0.41%	-	5.23%	5.64%
DUB	Dubber Corporation Limited	1.08%	-	6.34%	7.42%
HUB	HUB24 Limited	0.11%	-	17.62%	17.73%
MSB	Mesoblast Limited	0.26%	0.21%	5.30%	5.77%
MX1	Micro-X Limited	0.56%	-	5.58%	6.14%
OVH	OneVue Holdings Limited	0.70%	5.47%	5.58%	11.75%
OVN	Oventus Medical Limited	3.86%	-	11.63%	15.49%
UPD	Updater, Inc.	0.45%	-	5.20%	5.65%

<sup>1</sup> TEK = TEK has no economic interest in holdings of TOP or TIG

<sup>2</sup> TOP = Thorney Opportunities Ltd

<sup>3</sup> TIG = the private Thorney Investment Group and associates

## 6. Financial position

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

	2017	2016
Net tangible assets (\$)	43,946,695	(589,741)
Shares on issue <sup>1</sup>	193,538,840	420,080
Net tangible asset backing per share	22.7 cents	(140.6) cents

<sup>1</sup> Adjusted for 1:100 share consolidation that occurred on 16 December 2016

As at 30 June 2017 the Company has cash and cash equivalents of \$20,521,143 which represents 45% of total gross assets.

## 7. Prospects

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

## 8. Material business risks

The Company's risk management and compliance framework operated effectively from the commencement of the Investment Management Agreement on 11 January 2017 ensuring that the two identified main areas of risk (investment risk and operational risk) were appropriately monitored and managed.

With an investment mandate with exposures to global listed and unlisted, technology investments across all phases of the investment lifecycle, TEK will always bear investment risk as these assets are not risk free.

## 9. Changes in state of affairs

During the financial year the Company emerged from the shell of the collapsed biodiesel manufacturing business, Australian Renewable Fuels Limited, and was successfully relaunched as Thorney Technologies Ltd (TEK), an ASX listed managed investment company on 18 January 2017.

The Company was recapitalised during the financial year and, as at 30 June 2017, has \$45,946,156 of gross assets.

# Directors' report (continued)

## 10. 2017 Remuneration report (audited)

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

### Key management personnel (KMP)

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 Technologies Ltd the continuing KMP are the Non-executive directors and the Investment Manager and the discontinuing KMP are the Administrators.

The key management personnel of the Company during or since the end of the financial year were:

#### Administrators and Liquidators (from 1 July 2016 until 22 September 2016)

- PPB Advisory (Administrators to the Company and operating subsidiaries)

#### Directors (from 22 September 2016)

- Alan Fisher (Non-executive director)
- Martin Casey (Non-executive director)
- Craig Smith (Non-executive director, retired 9 December 2016)
- Jeremy Leibler (Non-executive director, appointed 9 December 2016)
- Alex Waislitz (Non-executive director, appointed 9 December 2016)

#### Investment Manager (from 11 January 2017)

- Thorney Management Services Pty Ltd

#### Receivers (appointed 20 January 2016)

- Korda Mentha (Receivers to two operating subsidiaries which no longer form part of the TEK group)

### Remuneration of KMP

#### (a) Remuneration of Administrators (and Liquidators of subsidiary)

For the period from 1 July 2016 to 22 September 2016 the Company was subject to the management of the Administrators. The remuneration of the Administrators was approved by creditors and is paid out of a creditors trust with funds not controlled nor owned by the Company. The remuneration paid to PPB Advisory, the Administrators, during the year, including costs, is as follows:

KMP	Group Company	2017 \$	2016 \$
PPB Advisory	Australian Renewable Fuels Limited	116,204	138,027
PPB Advisory	Australian Renewable Fuels Picton Pty Ltd	1,048	330,300
PPB Advisory	Besok Fuels Pty Ltd (In Liquidation)	652	-
PPB Advisory	Total Remuneration	117,904	468,327

# Directors' report (continued)

## 10. 2017 Remuneration Report (audited) (continued)

### Remuneration of KMP (continued)

#### (b) Remuneration of Directors

Certain Directors have remuneration arrangements with the private Thorney Investment Group whereas external Non-executive directors are remunerated by the Company. It is the policy of the Board to remunerate those external 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 external Non-executive Directors' base remuneration is reviewed annually. 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 TEK, the Non-executive Chairman, Alex Waislitz, receives zero director's 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.

#### (c) KMP remuneration tables

Key Management Personnel received the following remuneration amounts:

2017	Short term benefits		Post-employment benefits	Total
	Fees \$	Other \$	Superannuation \$	
<u>Current directors</u>				
Alex Waislitz	0	0	0	0
Alan Fisher	38,723	0	3,678	42,401
Jeremy Leibler <sup>1</sup>	30,797	0	0	30,797
Martin Casey	0	0	0	0
<u>Former KMP</u>				
Craig Smith	0	0	0	0
Anthony Liston	11,375	0	0	11,375
<b>Total KMP remuneration</b>	<b>80,895</b>	<b>0</b>	<b>3,678</b>	<b>84,573</b>

<sup>1</sup> Mr Leibler's fees are paid or payable to Arnold Bloch Leibler and exclude GST. Arnold Bloch Leibler is a legal firm of which Mr Leibler is a partner.

# Directors' report (continued)

## 10. 2017 Remuneration Report (audited) (continued)

### Remuneration of KMP (continued)

#### (c) KMP remuneration tables (continued)

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

2016	Short term benefits		Post-employment benefits	Total
	Salary and fees \$	Other \$	Superannuation \$	
Alan Fisher	42,618	0	4,049	46,667
Martin Casey	0	0	0	0
<u>Former KMP</u>				
Craig Smith	0	0	0	0
Andrew White	262,109	19,582	20,000	301,691
Deborah Page	17,086	0	1,623	18,709
Michael Costello	28,919	0	2,747	31,666
Anthony Liston	100,632	0	9,560	110,192
<b>Total KMP remuneration</b>	<b>451,364</b>	<b>19,582</b>	<b>37,979</b>	<b>508,925</b>

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.

#### (d) 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 9 December 2016
- 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

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

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

# Directors' report (continued)

## 10. 2017 Remuneration Report (audited) (continued)

### Remuneration of KMP (continued)

#### (e) Remuneration of the Investment Manager (continued)

Remuneration of the Investment Manager has two key components:

A **Base Fee** equal to 0.75% per each half year period 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**, the greater of zero and the amount calculated as 20% of the *Increase Amount* for the relevant period. The *Increase Amount* is the movement in the *Measurable Portfolio* value from the previous period plus or minus any applicable adjustments. The Increase Amount is reduced by the amount of Base Fee applicable to the relevant period. *Measurable Portfolio* includes measurable financial assets, including cash. If there is no *Increase Amount* for a financial period, the shortfall is not carried forward and not deducted from any increase in future financial period(s) for the purposes of calculating future Performance Fees.

In respect of the year ended 30 June 2017, the Investment Manager was entitled to fees under the IMA from the nominated Commencement date until the end of the financial year, as follows:

Commencement date:	Remuneration payable in respect of the half year ended 30 June 2017	2017 \$	2016 \$
11 January 2017	Base Fee	353,211	-
11 January 2017	Performance Fee	984,176	-
	<b>Total Remuneration<sup>1</sup></b>	<b>1,337,387</b>	<b>-</b>

<sup>1</sup> Amounts shown here are GST exclusive

#### (f) Remuneration of Receivers

Partners of Korda Mentha were appointed by secured creditors on 20 January 2016 as Receivers of Biodiesel Producers Pty Ltd and Australian Renewable Fuels Adelaide Pty Ltd. At the date of this report these subsidiaries remain under the control of the Receivers. The remuneration paid to Korda Mentha, the Receivers, during the year, including costs, is as follows:

KMP	Group Company	2017 \$	2016 \$
Korda Mentha	Biodiesel Producers Pty Ltd	183,348	968,361
Korda Mentha	Australian Renewable Fuels Adelaide Pty Ltd	15,400	71,278
Korda Mentha	<b>Total Remuneration</b>	<b>198,748</b>	<b>1,039,639</b>

#### (g) History of TEK performance

The table below summarises TEK's key financial performance indicators.

As at 30 June	Earnings \$	EPS (cents per share)	Share price (cents per share)	NTA (cents per share)
2017	3,278,487	3.7	22.0	22.7

Earnings are for discontinued and continuing operations. We have not shown the prior years when ARW was a listed shell and a biodiesel manufacturer as these details are no longer relevant. The Earnings Per Share (EPS), share price and Net Tangible Asset Backing Cents Per Share (NTA) have been adjusted for the 1:100 Share Consolidation that occurred in December 2016.

# Directors' report (continued)

## 11. Directors' relevant interests

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

2017	Balance at 1 July 2016	Acquired during the period	Balance at 30 June 2017
Directors and other key management personnel	Number <sup>(1)</sup>	Number	Number <sup>(2)</sup>
<b>Directors</b>			
Alex Waislitz	112,766	43,349,272	43,462,038
Alan Fisher	1,000	-	1,000
Jeremy Leibler	-	169,500	169,500
Martin Casey	-	-	-
<b>Other key management personnel</b>			
Thorney Management Services Pty Ltd	112,766	43,349,272	43,462,038
<sup>(1)</sup> The brought forward balance has been adjusted for the 1:100 share consolidation that occurred on 16 December 2016			
<sup>(2)</sup> Includes all direct, indirect or associated party ownership			

## 12. Board and committee meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2017 and the number of those meetings attended by each Director is set out below:

Name of Director	Directors' Meetings		Audit & Risk Committee	
	Eligible	Attended	Eligible	Attended
Alex Waislitz	4	3	3	1
Alan Fisher	12	12	5	5
Jeremy Leibler	4	5 <sup>(1)</sup>	3	2
Martin Casey	12	12	5	4
Craig Smith	8	8	-	-
<sup>(1)</sup> Attended one Directors' meeting ex-officio.				

## 13. Subsequent events

There were no subsequent events after balance date.

# Directors' report (continued)

## 14. Environmental regulations

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The Group's operations are no longer subject to environmental regulation under Commonwealth and State legislation in relation to its manufacture of biodiesel following its main operating subsidiaries being placed into administration and receivership in January 2016.

## 15. Dividends

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No dividends have been paid or declared since the start of the financial year.

## 16. Indemnification and insurance of officers and auditor

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

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

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

## 17. Non-audit services

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Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 16 to the financial statements.

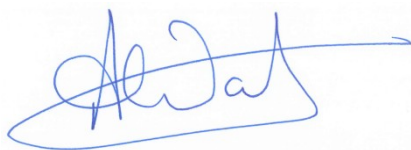
The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## 18. Auditor's independence declaration

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The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 16.

On behalf of the Directors,



**Alex Waislitz**  
Chairman

Melbourne, 30 August 2017



## Corporate governance statement

**Thorney Technologies Ltd (Company or TEK)** 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 *2017 Corporate governance statement*, which is available on the Company's website [here](#), we detail how the Company adheres to the 8 core principles as included in the ASX Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition. Where there is non-adherence we disclose why TEK considers that it is necessary to take a different approach.

The updated 2017 statement was approved by the Board on 30 August 2017.

## Auditor's Independence Declaration to the Directors of Thorney Technologies Ltd

As lead auditor for the audit of Thorney Technologies Ltd for the financial year ended 30 June 2017, 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.

This declaration is in respect of Thorney Technologies Ltd and the entities it controlled during the financial year.



Ernst & Young



Kester Brown  
Partner  
30 August 2017

# Consolidated statement of comprehensive income for the year ended 30 June

	Note	2017 \$	2016 \$
<b>Continuing operations</b>			
<b>Income</b>			
Net changes in fair value of investments	2	4,966,610	-
Interest received	2	273,923	-
Dividend income	2	11,704	-
Other income	2	80	-
<b>Total investment income</b>	2	<b>5,252,317</b>	-
<b>Expenses</b>			
Management fees	8	(353,211)	-
Performance fees	8	(984,176)	-
Directors' fees		(66,026)	-
Finance costs		(22,061)	-
Fund administration and operational costs		(204,498)	(2,692)
Legal & professional fees		(397,729)	-
Other administrative costs		(36,127)	-
<b>Total expenses</b>		<b>(2,063,828)</b>	<b>(2,692)</b>
<b>Profit/(loss) before tax</b>		<b>3,188,489</b>	<b>(2,692)</b>
Income tax expense		-	-
<b>Profit/(loss) for the year from continuing operations</b>		<b>3,188,489</b>	<b>(2,692)</b>
<b>Discontinued operations</b>			
Profit/(loss) after tax from discontinued operations	19	89,998	(20,456,877)
<b>Profit/(loss) for the year</b>		<b>3,278,487</b>	<b>(20,459,569)</b>
Other comprehensive income/(loss) for the year net of income tax		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>3,278,487</b>	<b>(20,459,569)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the parent		3,280,689	(20,459,430)
Non-controlling interests		(2,202)	(139)
		<b>3,278,487</b>	<b>(20,459,569)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the parent		3,280,689	(20,459,430)
Non-controlling interests		(2,202)	(139)
		<b>3,278,487</b>	<b>(20,459,569)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>\$</b>
Basic and diluted, profit/(loss) for the year attributable to ordinary shareholders of the parent	12	3.7	(48.7)
<b>Earnings per share from continuing operations:</b>			
Basic and diluted, profit/(loss) from continuing operations attributable to ordinary shareholders of the parent	12	3.6	(0.0)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated statement of financial position as at 30 June

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	20,521,143	259
Financial assets	6	22,490,971	-
Receivables	7	86,395	-
Prepayments		26,844	-
<b>Total current assets</b>		<b>43,125,353</b>	<b>259</b>
<b>Non-current assets</b>			
Financial assets	6	2,820,803	-
<b>Total non-current assets</b>		<b>2,820,803</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>45,946,156</b>	<b>259</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	1,999,461	-
Borrowings		-	590,000
<b>Total current liabilities</b>		<b>1,999,461</b>	<b>590,000</b>
<b>TOTAL LIABILITIES</b>		<b>1,999,461</b>	<b>590,000</b>
<b>NET ASSETS/ (LIABILITIES)</b>		<b>43,946,695</b>	<b>(589,741)</b>
<b>EQUITY</b>			
Issued capital	9	41,257,949	19,869,826
Reserve	10	2,688,746	-
Accumulated losses	11	-	(20,151,650)
<b>Equity attributable to owners of the company</b>		<b>43,946,695</b>	<b>(281,824)</b>
Non-controlling interests		-	(307,917)
<b>TOTAL EQUITY/ (DEFICIENCY)</b>		<b>43,946,695</b>	<b>(589,741)</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity for the year ended 30 June

2017	Issued capital \$	Profits reserve \$	Accumulated profits /(losses) \$	Attributable to owners of the parent \$	Non- controlling interests \$	Total \$
Balance at 1 July 2016	19,869,826	-	(20,151,650)	(281,824)	(307,917)	(589,741)
Profit/(loss) for the period	-	-	3,280,689	3,280,689	(2,202)	3,278,487
Total comprehensive income for the period	-	-	3,280,689	3,280,689	(2,202)	3,278,487
Shares issued under the Offer	42,610,729	-	-	42,610,729	-	42,610,729
Costs of share issue	(1,352,780)	-	-	(1,352,780)	-	(1,352,780)
Transfers to profit reserve	-	2,688,746	(2,688,746)	-	-	-
S258F lost capital reduction <sup>(1)</sup>	(19,869,826)	-	19,869,826	-	-	-
De-registration of a non-wholly-owned subsidiary	-	-	(310,119)	(310,119)	310,119	-
Balance at 30 June 2017	41,257,949	2,688,746	-	43,946,695	-	43,946,695

2016	Issued capital \$	Employee share option reserve <sup>(2)</sup> \$	Accumulated profits /(losses) \$	Attributable to owners of the parent \$	Non- controlling interests \$	Total \$
Balance at 1 July 2015	19,869,826	223,276	84,504	20,177,606	(307,778)	19,869,828
Profit/(loss) for the period	-	-	(20,459,430)	(20,459,430)	(139)	(20,459,569)
Total comprehensive income for the period	-	-	(20,459,430)	(20,459,430)	(139)	(20,459,569)
Options expired transferred to accumulated losses	-	(223,276)	223,276	-	-	-
Balance at 30 June 2016	19,869,826	-	(20,151,650)	(281,824)	(307,917)	(589,741)

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

<sup>(1)</sup> The Company reduced its accumulated losses and issued capital by an equal amount via a S258F *Corporations Act 2001* reduction.

<sup>(2)</sup> The employee share options reserve arose from grant of options to former directors and employees under the share plan that is no longer operational.

# Consolidated statement of cash flows for the year ended 30 June

	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Interest received	273,923	4
Dividends received	11,704	-
Proceeds from sale of trading investments	4,055,339	30,681,784
Payments for trading investments	(15,372,046)	-
Payments to suppliers and employees	(120,642)	(30,553,305)
Finance costs paid	(22,061)	(941,165)
Other	80	-
<b>Net cash provided by / (used in) operating activities</b>	<b>(11,173,703)</b>	<b>(812,682)</b>
<b>Cash flows from investing activities</b>		
Payments for long-term investments	(2,820,803)	-
Payments for plant and equipment	-	(270,031)
Loss of cash on Administration	-	(1,243,317)
Proceeds from sale of discontinued operations	39,998	-
<b>Net cash generated from / (used in) investing activities</b>	<b>(2,780,805)</b>	<b>(1,513,348)</b>
<b>Cash flows from financing activities</b>		
Net (repayments of) proceeds from borrowings	(971,115)	590,000
Payment for equity raising transaction costs	(1,352,780)	-
Proceeds from issue of equity	36,799,287	-
<b>Net cash provided by/(used in) financing activities</b>	<b>34,475,392</b>	<b>590,000</b>
Net increase/(decrease) in cash and cash equivalents	20,520,884	(1,736,030)
Cash and cash equivalents at the beginning of the period	259	1,736,289
Effect of movement in exchange rates on cash balances	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>20,521,143</b>	<b>259</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes and includes cash flows relating to discontinued operations.

# Notes to the Financial Statements

## 1. Significant accounting policies

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### Corporate information

The consolidated financial statements of Thorney Technologies Ltd and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 were for issue in accordance with a resolution of the directors on 30 August 2017. Thorney Technologies Ltd (TEK, the Group or the parent) is a Group limited by shares, incorporated and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the director's report.

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

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

- AASB 2013-9 - Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments)
- AASB 2016-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 9 - issued in December 2009 (and subsequent amendments).

The adoption of these new and amended standards did not have an impact in the reporting of the Group, with the exception of AASB 9 which is described as below:

### Financial Instruments – Amendments to AASB 9

AASB 9 (December 2015) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

### Classification and measurement

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



# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

### **Financial assets**

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

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

### **Financial liabilities**

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

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

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

### **Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

### **Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]**

This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2016) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

### **Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This Standard amends AASB 107 *Statement of Cash Flows* (August 2016) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 1.2 Accounting judgements and estimates

The preparation of the Group'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.

#### Fair value less costs to sell discontinued operations

The Company was placed into administration on 20 January 2016 and its operating subsidiaries were placed into administration on 21 January 2016. The effect of the appointment of Administrators was that from this date these subsidiaries were no longer under the control of the parent entity and that all exposures, rights and involvements had been transferred to the Administrators. The Directors no longer had the ability to exercise powers to affect investor returns over these companies and hence ceased to consolidate the subsidiaries from this date. The Directors are anticipating zero consideration as any net proceeds from the wind up of these Companies will belong to the note holders and employees. Refer to note 19 for current status.

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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### 1.3 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 Group 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 Group has two discrete portfolios of securities, the long-term portfolio and the trading portfolio.

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

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

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

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

##### (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 Group commits to purchase or sell the asset.

##### (iii) De-recognition

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

- i. The rights to receive cash flows from the asset have expired or
- ii. The Group 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
- ii. Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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### (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 Group recognises the difference in the statement of comprehensive income, unless specified otherwise.

### (v) Subsequent measurement

After initial measurement, the Group remeasures financial instruments which are classified as at fair value through profit or loss at fair value (see Note 5). 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'.

### a) Fair value measurement

The Group 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 Group.

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 Group 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.

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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

### b) Functional and presentation currency

The Group's functional and presentation currency is the Australian Dollar, which is the currency of the primary economic environment in which it operates. The Group'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.

### c) 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.

### d) Dividend revenue

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

### e) 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.

### f) Cash, and cash equivalents

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

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

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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### g) 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 Group 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.

### h) Due to and due from brokers

Amounts due to brokers (refer to Note 8) 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.*

# Notes to the Financial Statements (continued)

## 1. Significant accounting policies (continued)

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### i) 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 Group from the ATO are recognised as a receivable in the Statement of financial position.

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



# Notes to the Financial Statements (continued)

## 2. Total investment income

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

	2017 \$	2016 \$
Realised gains	825,505	-
Unrealised gains	4,158,629	-
Unrealised FX losses	(17,524)	-
Interest income	273,923	-
Dividend income	11,704	-
Other income	80	-
<b>Total investment income</b>	<b>5,252,317</b>	<b>-</b>

## 3. Income tax

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

	2017 \$	2016 \$
<b>Profit before income tax expense</b>	<b>3,278,487</b>	<b>(20,459,569)</b>
Prima facie tax expense on profit from ordinary activities before income tax (expense) / benefit at 27.5% (2016: 30%)	(901,584)	6,137,871
Deferred income tax (expense)	(742)	-
- Imputation credits on dividends received		
Carried forward tax losses utilised / (increased)	902,326	(6,137,871)
<b>Income tax expense recognised in the Statement of comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Trading stock	(1,252,136)	-
Business establishment costs	564,777	290,466
Other	27,476	10,437
Unrecouped revenue losses	23,818,217	26,156,186
<b>Net deferred tax asset not recognised</b>	<b>23,158,334</b>	<b>26,457,089</b>

At 30 June 2017 the Company has estimated unused gross revenue tax losses of \$79,391,583 (2016: \$87,187,286) that are available to offset against future taxable capital and revenue profits, subject to continuing to meet relevant statutory tests.

# Notes to the Financial Statements (continued)

## 4. Cash and short-term deposits

	2017 \$	2016 \$
Cash at bank	20,521,143	259
<b>Total cash and short-term deposits</b>	<b>20,521,143</b>	<b>259</b>

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

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

	2017 \$	2016 \$
<b>Profit/(loss) for the year</b>	<b>3,278,487</b>	<b>(20,459,569)</b>
<b>Adjustments for non-cash items:</b>		
Net gain on disposal of investments	-	-
Depreciation and amortisation of property, plant and equipment	-	694,904
Loss of control of discontinued operations	(50,000)	18,718,116
Unrealised component of change in fair value of investments	(4,141,105)	-
<b>Changes in Assets &amp; Liabilities:</b>		
(Increase)/decrease in receivables	(126,393)	1,026,775
(Increase)/decrease in inventories	-	204,846
Increase in creditors & accrued expenses	2,430,576	(1,451,200)
(Increase) in financial assets	(12,538,424)	-
(Increase)/decrease in other assets	(26,844)	559,544
(Increase) in deferred tax assets	-	-
(Decrease) in provisions	-	(106,098)
<b>Net cash (used in)/provided by operating activities</b>	<b>(11,173,703)</b>	<b>(812,682)</b>

## 5. 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:

<b>Level 1:</b>	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
<b>Level 2:</b>	valuation techniques using market observable inputs, either directly or indirectly.
<b>Level 3:</b>	valuation techniques using non-market observable data with the fair value for investments based on inputs determined by Directors' valuation

# Notes to the Financial Statements (continued)

## 5. Fair value measurements (continued)

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

	2017 \$	2016 \$
<b>Assets measured at fair value</b>		
Level 1: Listed equities	22,328,358	-
Level 2: -	-	-
Level 3: Loan notes <sup>1</sup> , unlisted equities <sup>2</sup>	2,983,416	-
<b>Total financial assets</b>	<b>25,311,774</b>	<b>-</b>
Total current	22,490,971	-
Total non-current	2,820,803	-
<b>Liabilities measured at fair value</b>		
Level 1: -	-	-
Level 2: Borrowings <sup>3</sup>	-	590,000
Level 3: -	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>590,000</b>

<sup>1</sup> Loan notes are valued using a discounted cash flow model. Key inputs to the discounted cash flow model include the principal value of the loan, the applicable coupon rate (4%-12%), the discount rate (which approximates the coupon rate) and the maturity date. A 2% increase in discount rate for these notes would decrease the fair value of loan notes by \$37,042.

<sup>2</sup> Unlisted equities are valued at recent transaction price which equates to fair value. The value of unlisted equities may increase or decrease depending on the success of start-up operations, and revenue growth.

<sup>3</sup> Borrowings are valued using bank or lender valuation.

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:	Loan notes	Unlisted equities	Total
Balance at 1 July 2016	-	-	-
Unrealised gain recognised in Statement of comprehensive income	-	-	-
Purchases of long-term financial assets	1,350,067	1,633,349	2,983,416
<b>Balance at 30 June 2017</b>	<b>1,350,067</b>	<b>1,633,349</b>	<b>2,983,416</b>
Balance at 1 July 2015	-	-	-
Unrealised gain recognised in Statement of comprehensive income	-	-	-
<b>Balance at 30 June 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## 6. Financial assets

	2017 \$	2016 \$
<b>Financial assets at fair value through profit and loss</b>		
Listed equities <sup>1</sup>	22,328,358	-
Unlisted equities <sup>2</sup>	1,633,349	-
Loan notes <sup>2</sup>	1,350,067	-
<b>Total financial assets</b>	<b>25,311,774</b>	<b>-</b>
<b>Total current</b>	<b>22,490,971</b>	<b>-</b>
<b>Total non-current</b>	<b>2,820,803</b>	<b>-</b>

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

<sup>2</sup> Measured at fair value, calculated with inputs deemed to be Level 3 under the Fair Value hierarchy as prescribed in AASB 13.

## 7. Receivables (current)

	2017 \$	2016 \$
Sundry debtor	12,710	-
GST	73,685	-
<b>Total receivables</b>	<b>86,395</b>	<b>-</b>

Outstanding settlements include amounts due from brokers for settlement of securities sold and are settled within 2 days of the transaction. The carrying value of Receivables approximates Fair Value.

## 8. Payables (current)

	2017 \$	2016 \$
Management fee payable	353,211	-
Performance fee payable	984,176	-
Sundry creditors and accruals	597,029	-
Amount payable to Thorney Omega Pty Ltd	65,045	-
<b>Total payables</b>	<b>1,999,461</b>	<b>-</b>

Payables are 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)

## 9. Issued capital

	2017 Number of shares	2016 Number of shares	2017 \$	2016 \$
<b>(a) Ordinary shares</b>				
Balance at 1 July	41,956,145	41,956,145	19,869,826	19,869,826
1:100 share consolidation <sup>1</sup>	(41,536,065)	-	-	-
S258 reduction <sup>2</sup>	-	-	(19,869,826)	-
Ordinary shares issued	193,118,760	-	42,610,729	-
Costs of share issue	-	-	(1,352,780)	-
<b>Total issued and authorised capital</b>	<b>193,538,840</b>	<b>41,956,145</b>	<b>41,257,949</b>	<b>19,869,826</b>

### (b) Terms and conditions:

#### 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.

<sup>1</sup> The shareholders approved a 1:100 share consolidation at the 2016 Annual general meeting. The consolidation was completed on 16 December 2016.

<sup>2</sup> The Company reduced its accumulated losses and contributed equity by an equal amount via a S258F Corporations Act 2001 reduction. Refer note 11.

## 10. Reserve

	2017 \$	2016 \$
<b>Profits reserve</b>	<b>2,688,746</b>	-
<u>Movement in profits reserve:</u>		
Balance at 1 July	-	-
Transfers from retained earnings	2,688,746	-
<b>Balance at 30 June</b>	<b>2,688,746</b>	-

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

## 11. Accumulated losses

The balance of accumulated losses at 30 June 2016 included paid up issued capital that had been lost or was not represented by available assets. On 30 April 2017 and in accordance with Section 258F of the *Corporations Act 2001*, the Company reduced its paid up issued capital balance by \$19,869,826 with an equal reduction of the accumulated losses balance.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied. Similarly, creditors are not affected as there has been no change in available assets. There is also no impact on the availability of the Company's tax losses from this capital reduction.

# Notes to the Financial Statements (continued)

## 12. Earnings per share

	Note	June 2017	June 2016
<b>Earnings/(loss) attributable to owners of Thorney Technologies Ltd:</b>			
- Continuing operations		3,188,489	(2,692)
- Discontinued operations	19	89,998	(20,456,877)
- Total		3,278,487	(20,459,569)
<b>Weighted average number of shares<sup>(i)</sup></b>			
- Basic and diluted		89,836,711	420,080
<b>Basic and diluted earnings/(loss) per share</b>			
		<b>Cents</b>	<b>\$</b>
- Continuing operations		3.6	(0.0)
- Discontinued operations	19	0.1	(48.7)
- Total		3.7	(48.7)

(i) The weighted average number of shares used in calculating earnings per share has been adjusted for the 1:100 Share Consolidation that occurred on 16 December 2016. This has not been adjusted in the comparative column.

## 13. Segment information

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.

## 14. Key management personnel compensation

Key management is defined as Directors, other key management personnel and the Administrators and Receivers as referred to in the remuneration report.

The aggregate compensation made to key management personnel of the Group is set out below:

	2017 \$	2016 \$
Short-term employee benefits	80,895	470,946
Post-employment benefits - superannuation	3,678	37,979
<b>Total key management personnel compensation paid by the Company</b>	<b>84,573</b>	<b>508,925</b>
The remuneration of administrators and receivers is included for disclosure purposes only. The amounts shown here are not included in the 2017 financial statements as they are paid out of funds controlled by creditors not the Company.		
<sup>1</sup> Administrators fees and costs	117,904	468,327
<sup>2</sup> Receivers fees and costs	198,748	1,039,640
<b>Total key management personnel compensation paid by former secured and unsecured creditors</b>	<b>401,225</b>	<b>1,507,967</b>

<sup>1</sup>The remuneration of the Administrators was calculated on a time basis at hourly rates. These rates were voted on and approved by creditors.

<sup>2</sup>The remuneration of the Receivers was calculated on a time basis at hourly rates. These rates are the standard scheduled rates agreed between the Receivers and their appointor under the terms of their registered security.

# Notes to the Financial Statements (continued)

## 15. Related party transactions

Tiga Trading Pty Ltd (TTPL), a related body corporate of Thorney Management Services Pty Ltd (TMS or Investment Manager), funded the Company's operations under a letter of financial support. The loan was repaid in full from the cash received under the equity raising during January 2017 being principal of \$949,239 and interest of \$21,876.

Thorney Holdings Proprietary Limited entered into an *Asset Sale Agreement* to purchase equity in Thorney Technologies Ltd in exchange for seed investments. Details of this transaction were included in the 2016 Notice of Annual General Meeting and approved by shareholders on 9 December 2016.

The Company has entered into an investment management agreement (IMA) with TMS for a period of 10 years and expiring 11 January 2027. Under the IMA TMS is entitled to a base fee and a performance fee.

For the half-year ended 30 June 2017 a base fee of \$353,211 and a performance fee of \$984,176 were due or payable to TMS.

As at 30 June 2017 TEK has a payable of \$65,045 to Thorney Omega Pty Ltd (THY0), a related body corporate of TMS. Certain investments are held in trust on behalf of TEK by the following related parties THY0, TTPL and Thistle Custodians Pty Ltd (THSC).

TTPL employs personnel to provide company secretarial and financial accounts preparation services to Thorney Technologies Ltd. These services are provided on commercial terms and total \$52,000 for 2017 (2016: \$nil).

During the period, TTPL engaged Bridgewater Capital Pty Ltd, an advisory firm of which Martin Casey is a director, to provide a range of services and TMS has sought reimbursement for work performed relating to the Company totalling \$36,000 (2016: \$nil).

TMS, TTPL, THSC, THY0, Thorney Holdings Proprietary Limited 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 Jeremy Leibler is a partner, to provide legal advice totalling \$378,367 (2016: \$nil).

In accordance with the terms of Mr Leibler's appointment, a payment of \$30,797 was paid or payable to Arnold Bloch Leibler as remuneration for his role as a Director of the Company up until 30 June 2017.

## 16. Auditor's remuneration

	2017 \$	2016 \$
<b>Remuneration of the auditor for:</b>		
Audit and review of financial reports	66,000	75,000
Other services	60,000	-
	<b>126,000</b>	<b>75,000</b>



# Notes to the Financial Statements (continued)

## 17. Financial risk management

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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.

### (a) 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.

Where the Company has counterparty exposure the Investment Manager monitors the counterparty in order to assess its ability to meet its interest and principal obligations.

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

### (b) Liquidity risk

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

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

### (c) Currency risk

The Company has exposure to foreign currency denominated cash and borrowings and also other financial assets and liabilities denominated in foreign currencies as it invests in listed and unlisted international and Australian companies.

# Notes to the Financial Statements (continued)

## 17. Financial risk management (continued)

### (c) Currency risk (continued)

Therefore the Company is exposed to movements in the exchange rate of the Australian dollar relative to foreign currencies.

At balance date, had the Australian dollar strengthened by 10% against the foreign currencies in which the Company holds foreign currency denominated monetary assets and liabilities (receivables, investments and borrowings), with all other variables held constant, the impact of monetary assets and liabilities on the Company's equity and net profit after tax would have been:

	2017 \$	2016 \$
<b>Australian dollar strengthens by 10%</b>		
US Dollars	116,837	-
<b>Total</b>	<b>116,837</b>	<b>-</b>

A 10% decline in the Australian dollar against the foreign currencies above would have an equal and opposite impact on the Company's equity and net profit. Currency movements may not be correlated.

The Company's total net exposure to fluctuations in foreign currency exchange rates at the Statement of Financial Position date is:

	2017 \$	2016 \$
<i>All amounts stated in AUD equivalents</i>		
<b>Assets and Liabilities as fair value</b>		
US Dollars	1,168,371	-
<b>Total</b>	<b>1,168,371</b>	<b>-</b>

Assets and liabilities in the Statement of Financial Position exposed to foreign currencies:

	2017 \$	2016 \$
<i>All amounts stated in AUD equivalents</i>		
Assets exposed to foreign currencies	1,233,416	-
Assets not exposed to foreign currencies	44,712,740	-
<b>Assets as per Statement of financial position</b>	<b>45,946,156</b>	<b>-</b>
Liabilities exposed to foreign currencies	65,045	-
Liabilities not exposed to foreign currencies	1,934,416	-
<b>Liabilities as per Statement of financial position</b>	<b>1,999,461</b>	<b>-</b>
Net assets exposed to foreign currencies	1,168,371	-
Net assets not exposed to foreign currencies	42,778,322	-
<b>Net assets as per Statement of financial position</b>	<b>43,946,695</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## 17. Financial risk management continued

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### Market risk

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

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

At the reporting date, the exposure to listed equity securities at fair value was \$22,328,358 (2016: \$nil). A decrease of 10% in share value of securities held could have an impact of approximately \$2,232,836 (2016: \$nil) 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.

### Interest risk

The Group is not materially exposed to interest rate risk as all of its cash investments and borrowings are short term for a fixed interest rate.

## 18. Contingent assets and liabilities

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The Company has no contingent assets or liabilities as at 30 June 2017.

## 19. Discontinued operations

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On 22 January 2016, the former Board announced that they had placed the Company and its operating subsidiaries into voluntary administration.

At the same time Secured creditors appointed Korda Mentha as Receivers over two of the operating subsidiaries. These companies remain in receivership.

The effect of these appointments was that all group assets, exposures, rights and involvements were transferred to the administrators and receivers and the shareholders of Australian Renewable Fuels Limited received nothing in exchange.

The Administrators, with approval from the unsecured creditors, entered into Deeds of Company Arrangements with a company controlled by the private Thorney Investment Group. This company, Tiga Trading Pty Ltd, provided funds for the creditors trusts to be used for employees and unsecured creditors and allowed the directors to retake control of the dormant ARW shell once the Administrators retired on 22 September 2016.

For the reporting period ended 30 June 2017, discontinued operations include the financial impact of the sale of the Picton subsidiary to a third party and the deregistration costs of dissolving the joint venture with the German-based ASG Analytik-Service Gesellschaft mbH.

# Notes to the Financial Statements (continued)

## 19. Discontinued operations continued

The profit and loss results for the year ended 30 June are as follows:

	2017 \$	2016 \$
Revenue from discontinued operations	-	29,479,933
Cost of goods sold	-	(27,849,002)
Gross profit	-	1,630,931
Other indirect costs	-	(3,369,692)
Total result up until 31 December	-	(1,738,761)
Impairment loss recognised on the remeasurement to fair value less costs to distribute	-	(18,718,116)
Loss before tax on discontinued operations	-	(20,456,877)
Tax on discontinued operations	-	-
<b>Loss after tax from discontinued operations</b>	<b>-</b>	<b>(20,456,877)</b>
Gain on disposal of discontinued operations	89,998	-
Income tax on gain on disposal	-	-
<b>Profit after tax on disposal of discontinued operations</b>	<b>89,998</b>	<b>-</b>

The cash flows for the year ended 30 June 2017 are as follows:

	June 2017 \$	June 2016 \$
Cash flows from operating activities	-	(222,402)
Cash flows from investing activities	39,998	(1,513,348)
Cash flows from financing activities	-	-
<b>Net cash flows from / (used in) discontinued operations</b>	<b>39,998</b>	<b>(1,735,750)</b>

# Notes to the Financial Statements (continued)

## 20. Subsidiaries

The parent entity of the Group is Thorney Technologies Ltd, which has the subsidiaries detailed in the following table.

Name of entity	Controller (as at signing date)	Country of Incorporation	Ownership	
			2017 %	2016 %
<b>Parent entity</b>				
Thorney Technologies Ltd	Directors	Australia		
<b>Subsidiaries</b>				
Biodiesel Producers Pty Ltd	Receivers	Australia	100	100
Australian Renewable Fuels Picton Pty Ltd	New Owners	Australia	0	100
Australian Renewable Fuels Adelaide P/L	Receivers	Australia	100	100
Besok Fuels Pty Ltd	Liquidators	Australia	100	100
AR Fuels US LLC	Directors	USA	100	100
58 Jarque Pty Ltd	Directors	Australia	100	-
ASG Analytik Pty Ltd	Deregistered	Australia	0	50

All 100% owned Australian entities are part of the tax consolidated group. Subsidiaries that are 100% owned but under control of Administrators or Receivers are, for tax purposes, still included in the tax consolidated group. Entities under control of the Directors are continuing operations. AR Fuels US LLC remains a dormant subsidiary.

The Group has no significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

During the financial year ended 30 June 2017, the Group did not enter into any contractual arrangements that could require the parent or its subsidiaries to provide financial support to one of the consolidated entities (2016: \$Nil).

Furthermore, neither the parent nor its subsidiaries have provided non-contractual financial or other support to one of the consolidated entities during the financial year (2016: \$Nil).

### Disclosures required for non controlling interests of ASG Analytik Pty Ltd

		2017 \$
Name: ASG Analytik Pty Ltd <sup>1</sup>	Current assets	-
Principal place of business:	Non-current assets	-
166 Elder Road Largs Bay South	Current liabilities	-
Australia.	Non-current liabilities	-
Partner: Analytik Service	Revenue	-
Gesellschaft m.b.h	Profit	(2,202)
Ownership: 50% of the company.	Total comprehensive income	(2,202)

<sup>1</sup> The partners voluntarily deregistered this joint venture corporation on 29 June 2017.

# Notes to the Financial Statements (continued)

## 21. Parent entity information

The Consolidated statement of financial position presented in the 2017 Annual report materially approximates that of the parent entity TEK with the exception of \$750,000 of financial assets purchased nominally by 58 Jarque Pty Ltd. No further disclosures are deemed beneficial. Refer to note 20.

## 22. List of investments

	Market value as at 30 June 2017 \$
Afterpay Holdings Ltd	5,476,855
Mesoblast Ltd	1,951,924
NEXTDC Ltd	1,747,625
HUB24 Ltd	1,872,000
OneVue Holdings Ltd	1,915,772
Oventus Medical Ltd	1,146,090
Updater Inc.	2,078,882
iSelect Ltd	857,983
Adacel Technologies Ltd	961,326
Micro-X Ltd	371,524
Dubber Corporation Ltd	222,448
Anatara Lifesciences Ltd	204,650
Other listed investments	3,521,279
Other unlisted investments	2,983,416
<b>Total investments</b>	<b>25,311,774</b>

## 23. Subsequent events

There were no subsequent events after balance date.

## Directors declaration

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

1. In the opinion of the directors:

- a. the financial statements and notes of Thorney Technologies Ltd for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - 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 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.

This declaration has been made after receiving the declarations required to be made to the directors by the executives in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Board,



**Alex Waislitz**  
Chairman

Melbourne, 30 August 2017

# Independent Auditor's Report to the Members of Thorney Technologies Ltd

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Thorney Technologies Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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 the 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 matter below, provide the basis for our audit opinion on the accompanying financial report.



## Fair value measurement and existence of investments

Why significant	How our audit addressed the key audit matter
<p>The Group invests in listed and unlisted financial assets which are carried at fair value in the consolidated statement of financial position.</p> <p>The investment portfolio at year end was comprised of \$22.3m in quoted equity investments and \$3.0m in unlisted investments.</p> <p>The valuation and existence of the investment portfolio is a key audit matter because it represents the principal element of the Group's net asset value.</p> <p>In addition to the above, the measurement of unlisted investments is a key audit matter because the valuation models for these investments use inputs including discount rates and projected cash flows which can be subjective in nature and are dependent on various assumptions, such as the risk premium attributable to the investee. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.</p> <p>Refer to Note 6 to the financial report for the Investments disclosure.</p>	<p>In obtaining sufficient audit evidence on the existence and measurement of listed and unlisted investments and the related disclosures, we:</p> <ul style="list-style-type: none"> <li>▶ Agreed the prices for all quoted equity investments to third party sources, and the number of shares held at year end to custodian statements.</li> <li>▶ Obtained and evaluated an unqualified assurance report from an audit firm that describes the effectiveness of the operational processes and controls of the Group's asset custodian.</li> <li>▶ Involved our valuation specialists to assess the application of the measurement methodology applied to unlisted investments. We assessed the key inputs and assumptions adopted in the valuation models for unlisted investments including discount rates, coupon rates and projected cashflows.</li> <li>▶ Assessed the adequacy of the disclosures included in Note 6 <i>Financial Assets</i>.</li> </ul>

## 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 Group's 2017 Annual Report, 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.

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 Group'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 Group 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included the pages of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Thorney Technologies Ltd for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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



Ernst & Young



Kester Brown  
Partner

Melbourne  
30 August 2017

## Additional shareholder information

As at 29 August 2017

### Voting rights

All ordinary shares carry one vote per share without restriction.

### Distribution of shareholders

Category	Ordinary shareholders
1 – 1,000 shares	1,323
1001 – 5,000 shares	64
5001 – 10,000 shares	88
10,001 – 100,000 shares	546
100,001 – or more shares	217
Total number of holders	2,238
Number of shareholders holding less than a marketable parcel	1,342

### 20 largest shareholders of ordinary shares

Name	Number of shares	% of issued capital
THORNEY HOLDINGS PROPRIETARY LIMITED	43,427,205	22.44
RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	11,364,636	5.87
GIOVANNI NOMINEES PTY LTD <GIOVANNI FAMILY FUND A/C>	11,363,636	5.87
WASHINGTON H SOUL PATTINSON & + CO LTD	9,090,910	4.70
HSBC CUSTODY NOMINEES <AUSTRALIA LIMITED	7,937,198	4.10
G W HOLDINGS PTY LTD <EDWINA A/C>	4,545,455	2.35
LANGBURGH PTY LTD <THE MARC BESEN FAMILY A/C>	4,545,455	2.35
TAMIT NOMINEES PTY LTD <ITESCU FAMILY A/C>	4,545,455	2.35
FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	4,150,951	2.14
NCOF PTY LTD <N&C O'BRIEN FAMILY FDN A/C>	2,275,000	1.18
MR SILVIO SALOM + MRS METTE SALOM <SALOM SUPER FUND A/C>	2,275,000	1.18
BYTENEW PTY LIMITED <TERTINI FAM SETTLE NO 2 A/C>	2,272,728	1.17
FRANK COSTA SUPERANNUATION PTY LTD <SHIRLEY COSTA SUPER FUND A/C>	2,272,727	1.17
KAPHMY PTY LTD	1,360,000	0.70
DEMETA PTY LTD	1,350,000	0.70
PSC INSURANCE GROUP LTD	1,136,364	0.59
MR RONALD LANGLEY + MRS RHONDA LANGLEY	1,001,400	0.52
ICE COLD INVESTMENTS PTY LTD	1,000,000	0.52
MS BARBARA EFRON	909,091	0.47
MRS KIM SORENSEN <SORENSEN FAMILY A/C>	909,091	0.47

### Substantial shareholders

Name	Number of shares	Voting Power %
THORNEY HOLDINGS PROPRIETARY LIMITED	46,462,038	22.46
JOHN RUBINO	22,728,272	11.74

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