Thorney Opportunities Ltd

ABN 41 080 167 264

Appendix 4E and
2018 Annual Report

THORNEY OPPORTUNITIES LTD
ABN 41 080 167 264

APPENDIX 4E (Listing Rule 4.3A)

Preliminary final report for the year ended 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 30 June 2017)

	$'000s	Up/Down	Movement
Revenue from ordinary activities	18,882	Down	47%
Profit (loss) before tax for the year	12,845	Down	54%
Profit (loss) after tax for the year	11,109	Down	45%

Dividend information	Cents per share	Franked amount per share	Taxing rate for franking
2018 Final dividend cents per share	**0.90**	**0.90**	**27.5%**
2018 Interim dividend cents per share	0.60	0.60	27.5%

2018 Final dividend dates	
Ex-dividend date	11 September 2018
Record date	12 September 2018
Payment date	2 October 2018

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will not operate in respect of the 2018 Final dividend.

	30 June 2018	30 June 2017	Movement
Net tangible asset backing (after tax) per share	75.7 cents	71.6 cents	Up 6%

This information should be read in conjunction with the 2018 Annual Report of Thorney Opportunities Ltd and any public announcements made in the period by Thorney Opportunities Ltd in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and *Listing Rules*.

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

Company particulars

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

ASX Code:	TOP
Security:	Thorney Opportunities Ltd fully paid ordinary shares
Directors:	Alex Waislitz, Chairman Ashok Jacob Henry Lanzer AM Dr Gary Weiss
Secretary:	Craig Smith
Country of incorporation:	Australia
Registered office:	Level 39, 55 Collins Street Melbourne Vic 3000
Contact details:	Level 39, 55 Collins Street Melbourne Vic 3000 T: + 613 9921 7116 F: + 613 9921 7100 E: craig.smith@thorney.com.au W: www.thorneyopportunities.com.au
Investment Manager:	Thorney Management Services Pty Ltd Level 39, 55 Collins Street Melbourne Vic 3000 AFSL: 444369
Auditor:	Ernst & Young, Melbourne 8 Exhibition Street Melbourne Vic 3000
Solicitors:	Arnold Bloch Leibler 333 Collins Street Melbourne Vic 3000
Share Registry:	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 T: + 612 9290 9600 F: + 612 9279 0664 W: www.boardroomlimited.com.au For all shareholder related enquiries please contact the share registry.

Annual General Meeting:	When: Thursday 22 November 2018[1] [1] The proposed date of the 2018 AGM is subject to change. The Company will advise shareholders of meeting details in mid-October 2018.

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Chairman's letter

TOP continues its growth and declares record final dividend

Dear fellow shareholder,

I'm delighted to report that for the year ended 30 June 2018, Thorney Opportunities Ltd (TOP) has delivered a net profit before tax of A$12.8 million and declared a record final dividend of 0.9 cents per share (cps), up 38.5% on last year.

As at 30 June 2018, TOP's net tangible assets (NTA) after tax per share stood at 75.7 cents (cps). The NTA performance since 30 June has been particularly strong, with the NTA closing at 78.5 cps, an increase of 3.7% in the first two months of the 2019 financial year.

Since inception TOP has consistently produced strong growth in its NTA, as summarized in the below table.

Period	% growth in NTA after tax[1]
12 months to 30 June 2018	8.5%
14 months to 31 August 2018	14.2%
Three years to 30 June 2018	56.8% (18.9% annualised)
Since inception	80.5% (17.3% annualised)

[1] After all fees and costs and including dividends

While still solid, TOP's NTA growth during the financial year just ended was held back by the serial underperformance of TPI Enterprises Limited (TPE) about which I have commented previously. After consistent calls for change from TOP and others, TPE recently replaced its Chairman and has vowed renewed focus on delivering value from the integrated production, manufacture and distribution model it has created. We will be looking for signs of improvement in the 2019 financial year.

For the 2018 financial year, the Board has declared a final dividend of 0.9 cps, fully franked, an increase of 38.5% when compared to 2017. Total dividends for 2018 are 1.5 cps, fully franked, an increase of 20% on 2017. This represents a gross yield of about 3.0%. The Board is committed to maintaining or increasing dividend payments when possible in the future. The final dividend has a record date of 12 September 2018, and will be paid to registered shareholders on 2 October 2018.

However, the Board has decided to suspend the dividend reinvestment plan (DRP) at this time, due largely to the persistent and unjustifiable discount which exists between the underlying share price and the NTA. I have moved personally to take advantage of the discount to NTA by purchasing an additional 2,296,596 shares since the beginning of the financial year taking my interest in the Company to 29.1%.

During the period, TOP successfully raised an additional A$24.1 million of investment capital, some of which has already been deployed into new opportunities. This new capital plus the proceeds from recent profit-taking trading places TOP in an enviable financial position, especially as we closely assess a number of new opportunities.

Early in September, following completion of the 2018 financial reporting season, I will send you a Chairman's Update which will provide both highlights from TOP's portfolio companies and some of my insights. My team and I will continue to monitor the activities of all the investment portfolio positions as well as seek out new and compelling investments.

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

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

Alex Waislitz
Chairman

31 August 2018

Directors' report

The directors present their report, together with the financial statements of Thorney Opportunities Ltd (TOP or Company), for the year ended 30 June 2018 and the auditor's report thereon.

1. Directors

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

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

Information on directors

Alex Waislitz BEc, LLB, Non-executive Chairman

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

Mr Waislitz is Chairman of Thorney Technologies Ltd and is the founder and Chairman of the private Thorney Investment Group, one of Australia's most successful private investment groups. He has extensive business and capital markets experience and has been a member of several public company boards.

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

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

Mr Waislitz has established registered charities; the Waislitz Foundation and the Waislitz Family Foundation. These charities focus on community projects, education, health, indigenous programs and the arts.

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

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

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

Mr Lanzer is Managing Partner of Arnold Bloch Leibler - a leading Australian commercial law firm - and has over 30 years' experience in providing legal and strategic advice to some of Australia's leading companies.

Mr Lanzer is also a director of Premier Investments Limited, a director of Just Group Limited and a director of the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council. In June 2016 Mr Lanzer was appointed as a Member of the Order of Australia.

1. Directors continued

Information on directors continued

Ashok Jacob BSc, MBA, Non-executive Director

Ashok Jacob was appointed a director of the Company on 21 November 2013.

Mr Jacob is the current Chairman and Chief Investment Officer of Ellerston Capital Limited. Mr Jacob is a current director of MRF Limited and has been the Chair of the Australia-India Council since April 2015.

Mr Jacob's previous directorships include Crown Ltd, Publishing and Broadcasting Ltd, Consolidated Press Holdings Limited, Visy Australia Advisory Board, Challenger Financial Group Ltd, Fleetwood Holdings Ltd, Ecorp Ltd, CPH Investment Group Ltd, Folkestone Ltd and SnackFoods Ltd.

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

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

Dr Gary Weiss was appointed a director of the Company on 21 November 2013.

Dr Weiss has considerable expertise in financial services businesses and extensive international business experience.

He holds several directorships including as director of Ariadne Australia Limited (since November 1989) and as Chairman of Ardent Leisure Group Limited, Ridley Corporation Limited and Estia Health Limited.

Other current directorship includes The Straits Trading Company Limited. Dr Weiss is also a Commissioner of the Australian Rugby League Commission.

Dr Weiss' previous directorships include Guinness Peat Group plc, Premier Investments Limited, Pro-Pac Packaging Limited, Tag Pacific Limited, Westfield Group, Coats plc (Chairman), ClearView Wealth Limited (Chairman), Mercantile Investment Company Limited, Tower Australia Limited, Australian Wealth Management Limited, Tyndall Australia Limited (Deputy Chairman), Joe White Maltings Limited (Chairman), CIC Limited, Whitlam Turnbull & Co Limited and Industrial Equity Limited.

2. Company Secretary

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

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

Mr Smith has been the Chief Financial Officer of the private Thorney Investment Group since 2008 and was appointed secretary of Thorney Technologies Ltd in 2016.

Prior to joining Thorney, Mr Smith held CFO / Company Secretarial roles with ASX listed companies Baxter Group Limited and Tolhurst Noall Limited.

3. Principal activities

Thorney Opportunities Ltd is an investment company listed on the Australian Securities Exchange (ASX: TOP). Its principal activity is making investments in listed securities.

There have been no changes in the nature of these activities during the 2018 financial year.

4. Result

The Group's net profit before tax for the 2018 financial year was $12,845,205 (2017: $27,890,175 and the net profit after tax was $11,109,436 (2017: $20,189,353).

Net tangible assets after tax were 75.7 cents per share (2017: 71.6 cents per share).

5. Dividends

On 31 August 2018 the Board declared a fully franked final dividend of 0.9 cents per share (2017 Final dividend: 0.65 cents per share). The Board has suspended the Dividend Reinvestment Plan (DRP).

The dividend will be paid to shareholders on 2 October 2018. The dividend of approximately $1,832,573 has not been recorded as a liability in the financial accounts. The dividend will be paid to all shareholders who are duly recorded on the register of members as at 5pm on Wednesday, 12 September 2018.

The fully franked 2017 Final dividend of 0.65 cents per share was paid on 4 October 2017 and the fully franked 2018 Interim dividend of 0.6 cents per share was paid on 4 April 2018.

6. Review of operations

Over the course of the financial year ended 30 June 2018 the Group increased its net tangible assets to $154,148,545 (2017: $121,399,380). The net tangible assets after tax per share increased 6% from 71.6 cents per share to 75.7 cents per share during the period.

Cash and cash equivalents as at 30 June 2018 was $14,589,511 (2017: $1,067,310). This increase in cash reflects $14,000,000 of gross proceeds from the redemption of bonds during the period and via the Placement and Share Purchase Plan which raised a net $23,539,078 less a steady deployment of capital into certain existing investment positions and new investment opportunities.

During 2018 TOP became a substantial shareholder of Southern Cross Electrical Engineering Limited, MMA Offshore Limited, Murray River Organics Group Limited, Angel Seafood Holdings Limited, Zenith Energy Limited and AMA Group Limited. Also during the year, TOP increased its investment in Money3 Corporation Limited and TPI Enterprises Limited lodging substantial holder notices in May 2018 and March 2018 respectively. Also TOP decreased its investment in Service Stream Limited lodging substantial holder notices in September 2017 and March 2018.

In May 2018 TOP held an investment forum in Sydney (jointly with Thorney Technologies Ltd) and several TOP investee companies presented including Money3 Corporation Limited, MMA Offshore Limited, Zenith Energy Limited and Service Stream Limited.

7. Financial position

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

Net tangible asset backing per share	2018	2017
Net tangible assets ($)	154,148,545	121,399,380
Shares on issue	203,619,230	169,661,399
Net tangible assets after tax per share	75.7 cents	71.6 cents

8. Prospects

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

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

9. Material business risks

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

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

10. Events subsequent to balance date

There were no events subsequent to balance date.

11. 2018 Remuneration report (Audited)

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

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

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

(a) Remuneration of Directors

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

Non-executive Directors' fees

The Non-executive Directors' base remuneration is reviewed annually. There was no change in remuneration during the period and annual fees paid to each Director have remained unchanged since their appointment. The amount of base remuneration is not dependent on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company.

Non-executive Chairman's fees

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

Retirement benefits for Directors

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

Other benefits (including termination) and incentives

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

(b) Remuneration of the Investment Manager

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

In respect of the year ended 30 June 2018, the Investment Manager was entitled to:

- a Base Fee of $2,427,465 (GST exclusive), being a Base Fee equal to 0.75% per half year of the gross asset value of the Company, payable half-yearly in arrears, calculated as at the last business day of the relevant half-year; and
- a Performance Fee of $2,794,827 (GST exclusive), payable in respect of the year ended 30 June 2018. The fee is the greater of zero and the amount calculated as 20% of the Increase Amount. The Increase Amount is the adjusted Net Asset Value for the current period less the Net Asset Value from the previous period and less a hurdle, equivalent to the value of any Base Fee paid or accrued. Performance fee entitlements are calculated on an annual basis, commencing on 1 July of each financial year. If there is no Increase Amount for a financial year, the shortfall is not carried forward and not deducted from any increase in future financial year(s) for the purposes of calculating future Performance Fees.

11. 2018 Remuneration report (Audited) continued

(c) Details of Remuneration

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

2018	Short term benefits		Post-employment benefits	Total
	Fees $	Other $	Superannuation $	$
Alex Waislitz	0	0	0	0
Ashok Jacob	50,000	0	4,750	54,750
Henry Lanzer[1]	54,750	0	0	54,750
Dr Gary Weiss	50,000	0	4,750	54,750
Total KMP remuneration	154,750	0	9,500	164,250

2017	Short term benefits		Post-employment benefits	Total
	Fees $	Other $	Superannuation $	$
Alex Waislitz	0	0	0	0
Ashok Jacob	50,000	0	4,750	54,750
Henry Lanzer[1]	54,750	0	0	54,750
Dr Gary Weiss	50,000	0	4,750	54,750
Total KMP remuneration	154,750	0	9,500	164,250

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

There were no short-term cash profit sharing and other bonuses, non-monetary benefits, other post-employment benefits, termination benefits or share based payments to Key Management Personnel for the current or the prior year. Arnold Bloch Leibler is a legal firm of which Henry Lanzer is the managing partner.

(d) Service Arrangements

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

Ashok Jacob

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

Henry Lanzer

- Commenced 21 November 2013
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of $54,750 (GST exclusive)

Dr Gary Weiss

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

11. 2018 Remuneration report (Audited) continued

(e) Employment agreement

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

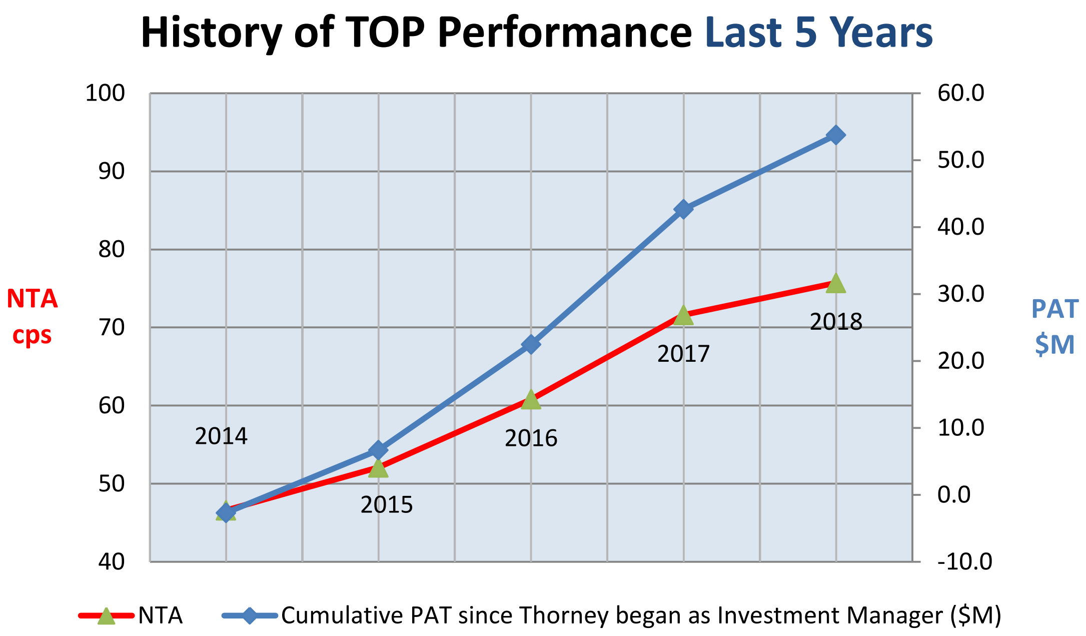
- Commenced as Director on 21 November 2013
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- No base salary or other compensation was received from the Company
- The Director is employed under an employment agreement with Tiga Trading Pty Ltd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

(f) History of TOP performance

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

As at 30 June	Earnings after tax (PAT) $	EPS (cents per share)	Share price (cents per share)	NTA (after tax) (cents per share)
2018	11,109,436	5.94	69.0	75.7
2017	20,189,353	11.91	69.5	71.6
2016	15,759,953	9.33	58.0	60.8
2015	9,373,547	5.57	46.5	52.1
2014	(2,669,210)	(2.47)	44.5	46.6

Earnings are for continuing operations only.



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

12. KMP relevant interests

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

	Balance 30 June 2016	Additions/ (Disposals)	Balance 30 June 2017	Additions/ (Disposals)	Balance 30 June 2018
Directors					
Alex Waislitz[1]	52,563,742	-	52,563,742	4,415,417	56,979,159
Ashok Jacob	1,034,934	18,217	1,053,151	8,695	1,061,846
Henry Lanzer	101,057	1,779	102,836	22,864	125,700
Dr Gary Weiss	9,971	-	9,971	-	9,971
Other key management personnel					
Thorney Management Services Pty Ltd (TMS)[1]	52,563,742	-	52,563,742	4,415,417	56,979,159

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

Since the end of the financial year Thorney Holdings Proprietary Limited has purchased 2,296,596 shares on market taking Alex Waislitz and TMS's total holding to 59,275,755. There have been no other changes in Directors' relevant interests in shares since the end of the financial year. All Directors have duly notified the Australian Securities Exchange in accordance with the *Corporations Act 2001* of changes in their relevant interests during the year.

13. Board and committee meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2018 and the number of those meetings attended by each Director is set out below:

	Board Meetings		Audit & Risk Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a Director	No. of meetings attended
Alex Waislitz	6	4	4	3
Ashok Jacob	6	5	4[1]	3
Henry Lanzer	6	6	4	4
Gary Weiss	6	4	4[1]	3

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

14. Environmental regulation

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

Directors’ report continued

15. Indemnification and insurance of officers and auditor

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

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

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

16. Auditor’s independence declaration

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

17. Non-audit services

Details of the amounts paid or payable to Ernst & Young for audit services provided during the year are set out in note 17 to the financial statements on page 39 of this report.

There were no non-audit services performed by the Company’s auditor, Ernst & Young, during the 2018 financial year.

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

On behalf of the Board

Alex Waislitz
Chairman

Melbourne, 31 August 2018

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Thorney Opportunities Ltd for the financial year ended 30 June 2018, 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 Opportunities Ltd and the entity it controlled during the financial year.

Ernst & Young

Kester Brown
Partner
31 August 2018

Corporate governance statement

2018 Corporate governance statement

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

In the following statements we detail how the Company adheres to ASX Corporate Governance Principles and Recommendations and where there is non-adherence we disclose why it is necessary to take a different approach.

Principle 1: Lay solid foundations for management and oversight

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

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

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

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

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

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

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

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

Diversity
As the Company has no employees the Board has determined that a *Diversity Policy* in compliance with ASX Recommendation 1.5 is not warranted at this time. However, the composition of the Board is periodically reviewed.

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

An evaluation of Board performance was undertaken during the financial year ended 30 June 2018 with no material changes proposed to the Board processes or individual director contributions.

Corporate governance statement continued

Principle 1: Lay solid foundations for management and oversight continued

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

A satisfactory evaluation of the Investment Manager's performance for the financial year ended 30 June 2018 was undertaken by the Independent directors.

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

Principle 2: Structure the board to add value

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

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

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

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

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

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

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

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

The Company's Constitution provides that there must be a minimum of three and a maximum of ten directors.

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

Principle 2: Structure the board to add value continued

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

Director	Position	Classification	Appointment	Last election
Alex Waislitz	Chairman	Non-independent	21 November 2013	24 November 2017
Henry Lanzer	Director	Non-independent	21 November 2013	24 November 2015
Ashok Jacob	Director	Independent	21 November 2013	25 November 2016
Dr Gary Weiss	Director[1]	Independent	21 November 2013	25 November 2016

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

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

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

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

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

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

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

[1] Lead Independent Director

Principle 3: Act ethically and responsibly

Code of Conduct and Conflicts of Interest

The Group has established a *Code of Conduct* that provides guidance to Directors and employees of the Investment Manager. Under these principles Directors will:

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

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

A copy of the *Code of Conduct* is available on the Company's website.

Principle 4: Safeguard integrity in corporate reporting

Audit Committee

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

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

Assurance

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

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

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

External Auditor

The Audit and Risk Committee Charter includes information on the procedures for selection and appointment of the external auditor of Thorney Opportunities and for the rotation of the external audit engagement partner. In 2013 shareholders appointed Ernst & Young as the Company's auditor and this marks Year 5 under the partner rotation policy.

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

Principle 5: Make timely and balanced disclosure

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

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

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

Principle 6: Respect the rights of shareholders

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

Thorney Opportunities Ltd maintains a website at: www.thorneyopportunities.com.au.

Annual General Meeting
TOP's AGM is proposed to be held on 22 November 2018. Details will be sent to all shareholders in mid-October 2018.

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

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

Principle 7: Recognise and manage risk

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

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

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

For the year ended 30 June 2018 the Audit and Risk Committee reviewed TOP's risk management framework and the Board was satisfied that it continues to be sound.

Principle 7: Recognise and manage risk continued

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

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

Principle 8: Remunerate fairly and responsibly

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

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

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

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

The amount of remuneration for all directors, including all monetary and non-monetary components, are detailed in the directors' report under *2018 Remuneration Report (audited)*.

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

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

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

Consolidated statement of comprehensive income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Income			
Net changes in fair value of trading investments	3	**14,132,978**	31,890,512
Interest received	3	**1,331,072**	1,371,262
Dividend income	3	**3,418,253**	2,387,170
Other income	3	**-**	1,036
Total investment income	3	**18,882,303**	35,649,980
Expenses			
Management fees		**(2,488,152)**	(2,031,567)
Performance fees		**(2,864,697)**	(5,206,060)
Directors' fees		**(169,725)**	(169,725)
Finance costs		**(58,054)**	(37,245)
Fund administration and operational costs		**(200,587)**	(108,322)
Legal and professional fees		**(204,584)**	(161,322)
Other administrative expenses		**(51,299)**	(45,564)
Total expenses		**(6,037,098)**	(7,759,805)
Profit before income tax		**12,845,205**	27,890,175
Income tax (expense)/benefit	4	**(1,735,769)**	(7,700,822)
Total comprehensive profit for the year		**11,109,436**	20,189,353

		2018 Cents	2017 cents
Basic and diluted earnings per share	15	**5.94**	**11.91**

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

Consolidated statement of financial position

As at 30 June 2018

	Note	**2018** $	2017 $
ASSETS			
Current assets			
Cash and short-term deposits	6	**14,589,511**	1,067,310
Financial assets	8	**152,423,912**	128,793,223
Receivables	9	**54,191**	620,412
Prepayments		**8,983**	10,491
Total current assets		**167,076,597**	130,491,436
Non-current assets			
Financial assets	8	**-**	4,253,600
Total non-current assets		**-**	4,253,600
TOTAL ASSETS		**167,076,597**	134,745,036
LIABILITIES			
Current liabilities			
Payables	10	**4,308,226**	6,515,599
Borrowings	11	**-**	-
Derivative financial instruments	12	**64,000**	10,000
Total current liabilities		**4,372,226**	6,525,599
Non-current liabilities			
Deferred tax liabilities	4	**8,555,826**	6,820,057
Total non-current liabilities		**8,555,826**	6,820,057
TOTAL LIABILITIES		**12,928,052**	13,345,656
NET ASSETS		**154,148,545**	121,399,380
EQUITY			
Issued capital	13	**105,585,376**	81,623,698
Reserve	14	**56,649,833**	39,775,682
Accumulated losses		**(8,086,664)**	-
TOTAL EQUITY		**154,148,545**	121,399,380

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

Consolidated statement of changes in equity

For the year ended 30 June 2018

	Issued capital $	Reserves $	Accumulated profits $	Total equity $
Balance at 1 July 2017	**81,623,698**	**39,775,682**	**-**	**121,399,380**
Profit for the year	**-**	**-**	**11,109,436**	**11,109,436**
Total comprehensive income for the year	**-**	**-**	**11,109,436**	**11,109,436**
Transfer to Profits reserve	**-**	**19,196,100**	**(19,196,100)**	**-**
<u>Transactions with shareholders:</u>				
Dividends paid	**-**	**(2,321,949)**	**-**	**(2,321,949)**
Shares issued via Placement	**21,300,000**	**-**	**-**	**21,300,000**
Shares issued via Share Purchase Plan	**2,712,872**	**-**	**-**	**2,712,872**
Shares issued via DRP	**422,600**	**-**	**-**	**422,600**
Cost of shares issued	**(473,794)**	**-**	**-**	**(473,794)**
Total transactions with shareholders	**23,961,678**	**(2,321,949)**	**-**	**21,639,729**
Balance at 30 June 2018	**105,585,376**	**56,649,833**	**(8,086,664)**	**154,148,545**

For the year ended 30 June 2017

	Issued capital $	Reserves $	Accumulated profits $	Total equity $
Balance at 1 July 2016	81,393,308	21,619,269	-	103,012,577
Profit for the year	-	-	20,189,353	20,189,353
Total comprehensive income for the year	-	-	20,189,353	20,189,353
Transfer to Profits reserve	-	20,189,353	(20,189,353)	-
<u>Transactions with shareholders:</u>				
Dividends paid	-	(2,032,940)	-	(2,032,940)
Shares issued via DRP	230,390	-	-	230,390
Cost of shares issued	-	-	-	-
Total transactions with shareholders	230,390	(2,032,940)	-	(1,802,550)
Balance at 30 June 2017	81,623,698	39,775,682	-	121,399,380

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

Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities:			
Interest received		**1,331,072**	1,371,262
Dividends received		**3,365,603**	2,387,170
Proceeds from sale of trading investments		**12,174,159**	25,920,669
Payments for trading investments		**(30,862,058)**	(19,964,806)
Payments to suppliers and employees		**(8,043,605)**	(6,592,831)
Finance costs paid		**(58,054)**	(37,245)
Other		**-**	124,828
Net cash (used in)/provided by operating activities	6(a)	**(22,092,883)**	3,209,047
Cash flows from investing activities:			
Proceeds from redemption of bonds		**14,000,000**	-
Payments for long-term investments		**-**	(1,000,192)
Net cash provided by/(used in) investing activity		**14,000,000**	(1,000,192)
Cash flows from financing activities:			
Net (repayments of) proceeds from borrowings		**-**	(7,413,726)
Proceeds from issuance of shares		**24,012,871**	-
Payment for transaction costs		**(473,794)**	-
Dividends paid (net of DRP)		**(1,923,993)**	(1,819,779)
Net cash provided by/(used in) financing activities		**21,615,084**	(9,233,505)
Net increase/(decrease) in cash held		**13,522,201**	(7,024,650)
Cash at the beginning of the year		**1,067,310**	8,091,960
Cash at the end of the year	6	**14,589,511**	1,067,310

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

Notes to the financial statements

1. Corporate information

The consolidated financial statements of Thorney Opportunities Ltd and its subsidiary (collectively, the Group) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 31 August 2018. Thorney Opportunities Ltd (TOP, 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.

2.1 Summary of accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Accounting Standards Board. The financial statements are presented in Australian Dollars and the 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:

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.

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

2.1 Summary of accounting policies continued

(a) Basis of preparation continued

Standards issued that might have an impact but not yet effective

The Group has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet effective for the year ended 30 June 2018 except for AASB 9 (2009) which was adopted in December 2009.

The Group only intends to adopt new standards when they become effective, at the date at which their adoption becomes mandatory. The impact of the standards issued but not yet effective has been assessed and the impact has been identified as not being material. The only standard issued but not yet effective at year end that the Group has determined may have an impact when effective is as follows:

AASB 16 Leases
This standard applies from 1 July 2020 but is not expected to impact the Group as the Group currently does not have lease arrangements

Financial Instruments — Amendments to AASB 9 *Financial Instruments*
AASB 9 (2015) is a new standard which replaces AASB 139 *Financial Instruments: Recognition and Measurement and supersedes* AASB 9 issued in December 2009 (version early adopted by the Group) and AASB 9 (issued in December 2010). AASB 9 (2015) brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. AASB 9 (2015) is effective to the Group from 1 July 2018. The Group did not early adopt this version, although assessed that the impact as not being material. Key changes to AASB 9 (2015) since early adoption in 2009 is discussed below.

Classification and measurement
AASB 9 (2015) includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are:

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

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

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

Impairment
Impairment was not included in the 2009 version of AASB 9. Lifetime expected credit losses will be determined under the simplified approach. These will not be materially different to the amount determined under AASB 139 impairment requirements.

2.1 Summary of accounting policies continued

(a) Basis of preparation continued

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

Hedge accounting
Hedge accounting was not included in the 2009 version of AASB 9. The Group does not have any existing designated hedging relationships for accounting purposes and therefore does not expected the impact to be material to the Group.

(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.

2.2 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.

2.3 Summary of significant accounting policies

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

a) Financial instruments

(i) Classification
The 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
iii. 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.

2.3 Summary of significant accounting policies continued

a) Financial instruments continued

(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 7). Subsequent changes in the fair value of those financial instruments are recorded in 'Change in fair value of financial assets and liabilities at fair value through profit or loss'. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'Dividend revenue'.

2.3 Summary of significant accounting policies continued

b) 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.

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

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

c) Functional and presentation currency

The 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.

d) Interest revenue and expense

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

e) Dividend revenue

Dividend revenue is recognised when the 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 comprehensive income.

2.3 Summary of significant accounting policies continued

f) Fees, commissions and other expenses

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

g) Cash and cash equivalents

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

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

h) Taxes

Current income tax

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

2.3 Summary of significant accounting policies continued

i) Profits reserve

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

j) Due to and due from brokers

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

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

k) Goods and services tax (GST)

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

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

Reduced input tax credits (RITC) recoverable by the 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

3. Total investment income

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

	2018 $	2017 $
Realised gains	**5,104,884**	1,521,968
Unrealised gains	**9,028,094**	30,368,544
Interest income	**1,331,072**	1,371,262
Dividend income	**3,418,253**	2,387,170
Other income	**-**	1,036
Total investment income	**18,882,303**	35,649,980

4. Income tax

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

	2018 $	2017 $
Current tax		
Current income tax charge / (benefit)	**(2,124,197)**	421,671
Deferred tax		
Origination and reversal of temporary differences	**3,859,966**	7,279,151
Income tax expense recognised in the Statement of profit or loss	**1,735,769**	7,700,822
Profit before income tax expense	**12,845,205**	27,890,175
Prima facie tax expense on profit from ordinary activities before income tax expense at 27.5% (2017: 30%)	**(3,532,431)**	(8,367,053)
Deferred income tax expense		
- Imputation credits converted to losses	**1,419,109**	951,757
- Imputation credits on dividends received	**(390,255)**	(285,526)
Non-deductible expenses	**(313)**	-
Adjustment for change in corporate tax rate	**768,121**	-
Income tax (expense)/benefit recognised in the Statement of profit or loss	**(1,735,769)**	(7,700,822)

Deferred tax		
Trading stock	**(19,968,395)**	(17,744,106)
Long term financial assets	**-**	(75,869)
Business establishment costs	**104,235**	143,807
Other	**14,876**	15,330
Losses available for offsetting against future taxable income	**11,293,458**	10,840,781
Net deferred tax (liabilities)/assets	**(8,555,826)**	(6,820,057)

At 30 June 2018, the Group has estimated gross revenue tax losses of $41,067,119 (2017: $36,135,936) that are available to offset against future taxable capital and revenue profits, subject to continuing to meet relevant statutory tests and have been recognised as a deferred tax asset.

At 30 June 2018, the Group has estimated unused gross capital tax losses of $30,714,116 (2017: $30,714,116) for which no deferred tax asset has been recognised.

5. Dividends

	2018 $	2017 $
(a) Final Dividend FY 2018 not recognised at year end		
Since the end of the year, the Directors have declared a 0.9 cents per share fully franked dividend which has not been recognised as a liability at the end of the financial year (2017: 0.65 cents per share).	**1,832,573**	1,102,799
(b) Dividend franking account		
Balance at 1 July	**661,019**	580,523
Franking credits received on dividends from investments	**1,419,109**	951,756
Franked dividends paid during the period	**(935,065)**	(871,260)
Balance at 30 June	**1,145,063**	661,019
Subsequent to reporting period, the franking account will reduce by the dividend proposed above	**540,644**	418,303
	604,419	242,716

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

6. Cash and short-term deposits

	2018 $	2017 $
Cash at bank	**14,589,511**	1,067,310
Total cash and short-term deposits	**14,589,511**	1,067,310

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 Group, and earn interest at the respective short-term deposit rates. The carrying value of Cash and short-term deposits approximates Fair Value.

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

	2018 $	2017 $
Profit for the year	**11,109,436**	20,189,353
Adjustments for non-cash items:		
Unrealised component of change in fair value of investments	**(9,028,094)**	(30,368,544)
Net gain on disposal of investments	**705**	-
Changes in Assets & Liabilities:		
Decrease/(increase) in receivables	**566,221**	(495,373)
(Increase)/decrease in financial assets	**(24,468,939)**	5,317,434
(Increase)/decrease in deferred tax assets	**-**	880,765
Decrease/(increase) in other assets	**1,508**	(474)
(Decrease)/increase in creditors & accrued expenses	**(2,066,252)**	1,130,681
Increase/(Decrease) in other financial liabilities	**56,763**	(264,852)
Increase in deferred tax liabilities	**1,735,769**	6,820,057
Net cash (used in)/provided by operating activities	**(22,092,883)**	3,209,047

Notes to the financial statements continued

7. Fair value measurement

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

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

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

	2018 $	2017 $
Assets measured at fair value		
Level 1: Listed equities	**151,585,353**	117,567,767
Level 2: -	**-**	-
Level 3: Short-term and long-term financial assets[1] and listed options[2]	**838,559**	15,479,056
Total financial assets	**152,423,912**	133,046,823
Total current	**152,423,912**	128,793,223
Total non-current	**-**	4,253,600
Liabilities measured at fair value		
Level 1: Exchange traded options	**64,000**	10,000
Level 2: -	**-**	-
Level 3: -	**-**	-
Total financial liabilities	**64,000**	10,000

[1] Short-term and long-term financial assets are valued using a discounted cash flow model.
[2] Listed options are valued using a Black-Scholes option pricing model (due to lack of trading activity during the period).

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

Financial assets: Level 3	Financial assets	Listed options	Total
Balance at 1 July 2017	**14,529,056**	**950,000**	**15,479,056**
Realised loss recognised in SOCI	**(529,056)**	**-**	**(529,056)**
Transfers from Level 1	**838,559**	**-**	**838,559**
Transfers to Level 1 upon exercise of options	**-**	**(950,000)**	**(950,000)**
Redemption of bonds	**(14,000,000)**	**-**	**(14,000,000)**
Balance at 30 June 2018	**838,559**	**-**	**838,559**
Balance at 1 July 2016	13,521,492	1,080,000	14,601,492
Unrealised gain/(loss) recognised in SOCI	7,372	(130,000)	(122,628)
Purchases of long-term financial assets	1,000,192	-	1,000,192
Balance at 30 June 2017	14,529,056	950,000	15,479,056

Notes to the financial statements continued

8. Financial assets

	2018 $	2017 $
Financial assets at fair value through profit or loss		
Listed equities and listed options[1]	**152,423,912**	118,517,767
Bonds[2]	**-**	14,529,056
Total financial assets	**152,423,912**	133,046,823
Total current	**152,423,912**	128,793,223
Total non-current	**-**	4,253,600

[1] Measured at fair value using quoted market prices which are deemed a Level 1 input under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b). During FY18 options previously deemed to be Level 3 were transferred to Level 1 upon exercise. There were no other transfers between levels.

[2] Measured at fair value using a discounted cash flow model, calculated with inputs deemed to be Level 3 under the Fair Value hierarchy as prescribed in AASB 13 and disclosed in note 2.3 (b). All short-term and long-term financial assets were redeemed during the financial year.

9. Receivables

	2018 $	2017 $
Sundry debtor	**52,650**	618,688
GST	**1,541**	1,724
Total receivables	**54,191**	620,412

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.

10. Payables (current)

	2018 $	2017 $
Management fee payable	**1,270,364**	1,035,852
Performance fee payable	**2,864,697**	5,206,060
Sundry creditors and accruals	**173,165**	273,687
Total payables	**4,308,226**	6,515,599

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

11. Borrowings

	2018 $	2017 $
Prime broker	-	-
Total borrowings	**-**	-

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

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

12. Derivative financial instruments

	2018 $	2017 $
Exchange traded options at fair value[1]	**64,000**	10,000
Total derivative financial instruments	**64,000**	10,000

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

13. Issued capital

	2018 Number of shares	2017 Number of shares	2018 $	2017 $
(a) Ordinary shares				
Balance at 1 July	**169,661,399**	169,324,894	**81,623,698**	81,393,308
Ordinary shares issued:				
Dividend Reinvestment Plan	**606,738**	336,505	**422,600**	230,390
Placement	**29,583,333**	-	**21,300,000**	-
Share Purchase Plan	**3,767,760**	-	**2,712,872**	-
Costs of share issue	**-**	-	**(473,794)**	-
Total issued and authorised capital	**203,619,230**	169,661,399	**105,585,376**	81,623,698

(b) Terms and conditions:

(i) Ordinary shares

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

Notes to the financial statements continued

14. Reserve

	2018 $	2017 $
Profits reserve	**56,649,833**	39,775,682
Movement in profits reserve:		
Balance at 1 July	**39,775,682**	21,619,269
Transfers from retained earnings	**19,196,100**	20,189,353
Dividends paid	**(2,321,949)**	(2,032,940)
Balance at 30 June	**56,649,833**	39,775,682

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

15. Earnings per share

	2018	2017
Basic and diluted earnings per share (cents)	**5.94**	11.91
Earnings used in calculating basic and diluted earnings per share ($)	**11,109,436**	20,189,353

	2018 Number of Shares	2017 Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**187,171,994**	169,492,088

16. Financial reporting by segments

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

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

17. Auditor's remuneration

	2018 $	2017 $
Remuneration of the auditor for:		
Audit and review of financial reports	**57,680**	61,600

18. Financial risk management

The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group'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 Group's continuing profitability. The Group is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and equity price risk) arising from the financial instruments it holds.

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

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

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

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

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

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

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investments. The Group 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 $152,423,912 (2017: $118,517,767). A decrease of 10% in share value of securities held could have an impact of approximately $15,242,391 (2017: $11,851,777) on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase in 10% in share value of securities held would have a similar favourable impact on income and equity.

Notes to the financial statements continued

18. Financial risk management continued

Interest risk

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

19. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the year ended 30 June 2018:

Services from and reimbursements to related parties[1]	2018 $	2017 $
Entities with significant influence over the Group:		
Thorney Management Services Pty Ltd	**5,222,292**	7,061,100
TIGA Trading Pty Ltd	**52,000**	52,000
Arnold Bloch Leibler	**87,495**	56,842

[1] All related party transaction amounts are shown exclusive of GST

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

Under this agreement TMS is entitled to a base fee and a performance fee. For the year ending 30 June 2018 a base fee of $2,427,465 (2017: $1,982,017) and a performance fee of $2,794,827 (2017: $5,079,083) was paid or payable to TMS. The Company must pay TMS within 60 days of receiving an invoice.

TIGA Trading Pty Ltd, a related entity of TMS, employs personnel to provide company secretarial and financial accounts preparation services to Thorney Opportunities Ltd. These services are provided on commercial terms and total $52,000 for the 2018 financial year (2017: $52,000).

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

During the year, the Company engaged Arnold Bloch Leibler, a legal firm of which Henry Lanzer is the managing partner, to provide legal advice totalling $32,745 (2017: $2,092).

In accordance with the terms of Mr Lanzer's appointment, a payment of $54,750 was paid or payable to Arnold Bloch Leibler as remuneration for his role as a Director of the Company (2017: $54,750).

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

19. Related party transactions continued

Key Management Personnel received the following remuneration amounts:

	2018 $	2017 $
Short-term benefits	**154,750**	154,750
Post-employment benefits	**9,500**	9,500
Total remuneration	**164,250**	164,250

20. Contingent liabilities

Other than as described in Note 7, the Group has no contingent liabilities as at 30 June 2018.

21. Events subsequent to balance date

There were no events subsequent to balance date.

22. Parent entity information

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

23. Group information

The parent entity of the Group is Thorney Opportunities Ltd and the subsidiary is detailed in the following table:

Name of entity	Country of incorporation	Ownership 2018	Ownership 2017
Parent entity			
Thorney Opportunities Ltd	Australia		
Subsidiary			
87 Truca Pty Ltd	Australia	**100%**	100%

Directors' declaration

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

1. In the opinion of the Directors:

(a) the financial statements and notes of Thorney Opportunities Ltd for the financial year ended 30 June 2018 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 2018 and of its performance for the year ended on that date;

(ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Board,

Alex Waislitz
Chairman

Melbourne, 31 August 2018

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report

To the Members of Thorney Opportunities Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Thorney Opportunities Ltd (the Company) and its subsidiary (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

(ii) 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 APES110 *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 each matter below, our description of how our audit addressed the matter is provided in that context.

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

Fair value measurement and existence of investments and related disclosures

Why significant	How this matter was addressed in the audit
The Group invests in listed and unlisted financial assets which are carried at fair value on the statement of financial position. The investment portfolio at year-end was comprised of $151.6m in quoted equity investments, and $0.8m in unlisted investments. The valuation and existence of the investment portfolio was a key audit matter because investments represent the principal element of the Group's total assets.	Our audit procedures included the following: ► Agreed the quantity of all quoted equity investments held at year end to asset custodian statements, and further agreed prices to market closing prices. ► Obtained and considered the assurance report that describes the effectiveness of the operational processes and controls of the Group's asset custodian. ► Assessed the adequacy of the disclosures included in Note 8 *Financial Assets*.

Investment management and performance fees

Why significant	How this matter was addressed in the audit
The Group pays its Investment Manager, Thorney Management Services Pty Ltd (TMS) a base management fee of 0.75% of gross assets and a performance fee of 20% of the increase in net asset value net of base fee for the year, as stipulated in the Investment Management Agreement (IMA). The base management fee is calculated half yearly while the performance fee is calculated on an annual basis. For the year ended 30 June 2018, $2.5m and $2.9m of base management fee and performance fee were recognised, respectively. The measurement of investment management and performance fees was a key audit matter because it is of interest to key stakeholders as these fees are significant expenses that reduce the net tangible assets of the Group. Refer to Note 19 of the financial statements.	Our audit procedures included the following: ► Determined whether the calculation of the base management fee and performance fee expenses was made in accordance with the IMA. ► Agreed key inputs used in the management fee and performance fee calculations, including gross assets in the case of management fees and the net asset increase in the case of performance fees to the consolidated statement of financial position. ► Recalculated the management fee and performance fee and compared the recalculated amounts to the expenses recognised in the consolidated statement of comprehensive income.

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

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

If, based upon 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.

Directors' Responsibilities 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Thorney Opportunities Ltd for the year ended 30 June 2018, 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
31 August 2018

Shareholder information

As at 30 August 2018

Voting rights
All ordinary shares carry one vote per share without restriction.

Distribution of shareholders

Category	Ordinary Shareholders
1 – 1,000 shares	**299**
1001 – 5,000 shares	**424**
5001 – 10,000 shares	**269**
10,001 – 100,000 shares	**1,100**
100,001 or more shares	**243**
Total number of holders	**2,335**
Number of shareholders holding less than a marketable parcel	**202**

20 largest shareholders of ordinary shares

Name	Number of shares	% of issued capital
THORNEY HOLDINGS PROPRIETARY LIMITED	51,800,234	25.440
RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	20,954,890	10.291
TIGA TRADING PTY LTD	6,570,159	3.227
ELPHINSTONE HOLDINGS PTY LTD	5,780,000	2.839
NCOBF PTY LTD <N & C O'BRIEN FAM FOUND A/C>	2,589,000	1.271
LANGBURGH PTY LTD <MARC BESEN FAMILY TR A/C>	2,500,000	1.228
FRANK COSTA SUPERANNUATION PTY LTD <SHIRLEY COSTA SUPER FUND A/C>	2,000,000	0.982
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,864,447	0.916
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,795,000	0.882
MRS NOLA ISABEL CRIDDLE <CRIDDLE INVESTMENT FUND A/C>	1,608,395	0.790
JAIN FAMILY SUPER PTY LTD <JAIN FAMILY SUPER FUND A/C>	1,572,687	0.772
AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	1,497,304	0.735
TAMIT NOMINEES PTY LTD <THE ITESCU FAMILY A/C>	1,352,025	0.664
PICTON COVE PTY LTD	1,272,131	0.625
BLACKCAT HOLDINGS PTY LTD	1,055,000	0.518
NOLA CRIDDLE FOUNDATION PTY LTD <NOLA CRIDDLE FOUNDATION A/C>	1,020,833	0.501
THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	1,000,000	0.491
DEEMCO PTY LIMITED	945,277	0.464
FIFTY SECOND CELEBRATION PTY LTD <MCBAIN FAMILY A/C>	873,609	0.429
OBRIEN PF PTY LTD <OBRIEN PENSION A/C>	829,356	0.407

Substantial shareholders

Name	Number of shares	Voting Power %
THORNEY HOLDINGS PROPRIETARY LIMITED	**59,275,755**	29.111
RUBI HOLDINGS PTY LTD	**20,954,890**	10.291

Shareholder information continued

List of investments

	Market value as at 30 June 2018 $
Service Stream Limited	**31,995,018**
AMA Group Limited	**28,222,120**
Money3 Corporation Limited	**27,280,789**
OneVue Holdings Limited	**11,560,234**
Austin Engineering Limited	**10,669,607**
TPI Enterprises Limited	**8,195,585**
Fairfax Media Limited	**8,046,420**
Aveo Group	**4,860,000**
Zenith Energy Ltd	**3,921,750**
MMA Offshore Ltd	**3,419,561**
Monadelphous Group Ltd	**3,237,900**
Cooper Energy Ltd	**1,949,904**
Southern Cross Electrical Engineering Ltd	**1,740,998**
Domain Holdings Australia Ltd	**1,699,548**
Ardent Leisure Group	**1,599,750**
Mesoblast Ltd	**1,110,000**
Other listed investments	**2,914,728**
Total listed investments	**152,423,912**

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