

# **THORNEY TECHNOLOGIES LTD**

**ABN: 66 096 782 188**

## **Appendix 4D**

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## **2020 Half-year financial report**

# Thorney Technologies Ltd

ABN 66 096 782 188

## Appendix 4D

For the half-year ended 31 December 2019

*(All comparisons to half-year ended 31 December 2018)*

### Results for announcement to the market:

	31 Dec 2019 \$A'000	31 Dec 2018 \$A'000	Up/ Down	Movement \$A'000
Revenue from ordinary activities	6,369	891	Up	5,478
Net profit for the period attributable to members	5,250	85	Up	5,165

No dividends have been declared for the half-year ended 31 December 2019.

	31 Dec 2019 cents	31 Dec 2018 cents
<u>Additional information</u>		
Net tangible asset backing per ordinary share	35.8	25.0

This information should be read in conjunction with the *2019 Annual Report* of **Thorney Technologies Ltd** and any public announcements made in the period by **Thorney Technologies Ltd** in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2019.

This report is based on the consolidated financial statements for the half-year ended 31 December 2019 which have been reviewed by **Ernst & Young**.

# Thorney Technologies Ltd

ABN 66 096 782 188

## Corporate information

### *Company secretary*

Craig Smith  
Level 39, 55 Collins Street  
Melbourne VIC 3000

### *Principal registered office and postal address*

Level 39, 55 Collins Street  
Melbourne VIC 3000

### *ASX code*

TEK

### *Share registry*

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

### *Solicitors*

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

### *Auditors*

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000

### *Website*

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

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## Chairman's letter

Dear fellow shareholders

The six months ended 31 December 2019 saw your company continue to deliver on its commitment to producing strong growth through targeted investments in listed and unlisted technology companies at all stages of the business life cycle in Australia, the USA and Israel.

TEK'S half year net profit after tax was \$5.25 million - an increase of more than \$5.1 million over the previous corresponding period, while Net Tangible Assets (NTA) after tax was 35.8 cents per share, some 43% higher than 12 months earlier. TEK's NTA continued to improve during January 2020 and was 37.0 cents per share at month's end.

Since its inception in January 2017, TEK has delivered 72% growth in NTA or an average of 25% each year, significantly outperforming the share market.

While international share markets remain volatile, especially amid fears about the impact of the coronavirus, directors are confident that TEK will maintain its solid growth record over the medium to long term. The quality of TEK's portfolio of both listed and unlisted companies and the extensive and ongoing due diligence undertaken by TEK's investment manager, the Thorney Investment Group, mean that TEK is as well placed as it could be in the current circumstances.

Directors believe that TEK's continued strong performance over time will eventually result in a share market re-rating of TEK shares and the elimination of the unjustified discount to NTA which currently exists. We continue to look at actions which will help encourage this re-rating to occur.

I will provide a detailed commentary on the major listed and unlisted companies in the TEK portfolio in my next Chairman's Update in March 2020 after the conclusion of the 2020 interim reporting season.

Kind regards,

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

**Alex Waislitz**  
Chairman

26 February 2020

## Directors' report

The Directors of Thorney Technologies Ltd (TEK, or Group) present the financial report of the Group for the half-year ended 31 December 2019.

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

Current Directors	Appointed	Position
Alex Waislitz	9 December 2016	Chairman
Alan Fisher	29 August 2015	Non-executive director
Jeremy Leibler	9 December 2016	Non-executive director
Martin Casey	22 June 2016	Non-executive director

## Principal activities

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

## Review of operations

The profit after tax for the half-year under review was \$5,249,725 an increase on the previous corresponding half-year profit of \$85,481. TEK's half-year result principally reflects realised gains from investments sold, impacted by the unrealised mark to market reductions in the market value of the Group's portfolio for the six-month period.

The Net Tangible Asset Backing per share at 31 December 2019 was 35.8 cents per share (31 December 2018: 25.0 cents).

TEK's largest portfolio holdings, Afterpay, zipMoney and Updater Inc, which represent circa 25% of the TEK portfolio have operationally continued to meet or exceed their stated benchmarks. Key personnel from Carbon Revolution Ltd, Visioneering Technologies Inc., Calix Ltd, Terragen Holdings Ltd, Skyfii Ltd and Dubber Corporation Ltd presented at the TEK AGM *Thorney Investment Forum* in late November 2019 and these presentations were recorded and are available on the TEK website.

## Dividends

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

## Directors' report (continued)

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### Auditor's independence declaration

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

On behalf of the Directors,



**Alex Waislitz**  
Chairman

Melbourne, 26 February 2020



**Building a better  
working world**

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

As lead auditor for the review of the half-year financial report of Thorney Technologies Ltd for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Kester Brown  
Partner

Melbourne  
26 February 2020



## Consolidated statement of comprehensive income

For the half-year ended 31 December 2019

	Note	December 2019 \$	December 2018 \$
<b>Income</b>			
Net changes in fair value of investments	2	6,160,050	628,546
Interest income	2	183,505	175,048
Dividend income	2	14,090	26,866
Other income	2	11,416	60,138
<b>Total investment income</b>	2	<b>6,369,061</b>	<b>890,598</b>
<b>Expenses</b>			
Management fees		(718,213)	(501,584)
Performance fees		(129,415)	-
Directors' fees		(84,862)	(84,862)
Finance costs		(437)	(30)
Fund administration and operational costs		(37,728)	(60,486)
Legal & professional fees		(121,275)	(131,564)
Other administrative expenses		(27,406)	(26,591)
<b>Total expenses</b>		<b>(1,119,336)</b>	<b>(805,117)</b>
<b>Profit before income tax expense</b>		<b>5,249,725</b>	<b>85,481</b>
Income tax expense	3	-	-
<b>Total comprehensive income for the half-year</b>		<b>5,249,725</b>	<b>85,481</b>
<b>Basic and diluted earnings per share (cents)</b>	8	<b>2.04</b>	<b>0.03</b>

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

## Consolidated statement of financial position

As at 31 December 2019

	Note	December 2019 \$	June 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and short-term deposits		1,364,889	6,410,345
Financial assets	5	56,732,506	51,077,597
Receivables		157,081	1,341,480
Other assets		65,714	17,502
<b>Total current assets</b>		<b>58,320,190</b>	<b>58,846,924</b>
<b>Non-current assets</b>			
Financial assets	5	26,258,749	24,379,691
Receivables		965,000	465,000
Deferred Tax Assets	4	7,882,179	7,882,179
<b>Total non-current assets</b>		<b>35,105,928</b>	<b>32,726,870</b>
<b>TOTAL ASSETS</b>		<b>93,426,118</b>	<b>91,573,794</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,408,244	4,805,645
<b>Total current liabilities</b>		<b>1,408,244</b>	<b>4,805,645</b>
<b>TOTAL LIABILITIES</b>		<b>1,408,244</b>	<b>4,805,645</b>
<b>NET ASSETS</b>		<b>92,017,874</b>	<b>86,768,149</b>
<b>EQUITY</b>			
Issued capital	6	55,973,077	55,973,077
Reserves		60,935,624	47,984,941
Accumulated losses		(24,890,827)	(17,189,869)
<b>TOTAL EQUITY</b>		<b>92,017,874</b>	<b>86,768,149</b>

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

## Consolidated statement of changes in equity

For the half-year ended 31 December 2019

	Issued capital \$	Profit reserve \$	Accumulated profits / (losses) \$	Total \$
Balance at 1 July 2019	55,973,077	47,984,941	(17,189,869)	86,768,149
Profit for the half-year	-	-	5,249,725	5,249,725
Total comprehensive income for the half-year	-	-	5,249,725	5,249,725
Transfer to Profit reserve	-	12,950,683	(12,950,683)	-
Transactions with shareholders	-	-	-	-
Total transactions with shareholders	-	-	-	-
Balance at 31 December 2019	55,973,077	60,935,624	(24,890,827)	92,017,874

For the half-year ended 31 December 2018

	Issued capital	Profit reserve	Accumulated profits / (losses)	Total
Balance at 1 July 2018	55,994,311	17,252,420	(8,999,236)	64,247,495
Profit for the half-year	-	-	85,481	85,481
Total comprehensive income for the half-year	-	-	85,481	85,481
Transfer to Profit reserve	-	8,355,244	(8,355,244)	-
Transactions with shareholders:				
Share Buyback	(21,234)	-	-	(21,234)
Total transactions with shareholders	(21,234)	-	-	(21,234)
Balance at 31 December 2018	55,973,077	25,607,664	(17,268,999)	64,311,742

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

## Consolidated statement of cash flows

For the half-year ended 31 December 2019

	Note	December 2019 \$	December 2018 \$
<b>Cash flows from operating activities</b>			
Interest income		183,505	175,048
Finance costs		(437)	(30)
Dividends received		14,090	26,866
Proceeds from sale of trading investments		17,990,315	8,459,030
Payments for trading investments		(16,717,090)	(15,278,262)
Payment to suppliers		(2,810,211)	(1,730,824)
Other inflows from other operating activities		11,416	67,864
<b>Net cash used in operating activities</b>		<b>(1,328,412)</b>	<b>(8,280,308)</b>
<b>Cash flows from investing activities</b>			
Payment for financial assets		(3,217,054)	(3,668,762)
Loans to third parties		(500,000)	-
<b>Net cash used in investing activities</b>		<b>(3,717,054)</b>	<b>(3,668,762)</b>
<b>Cash flows from financing activities</b>			
Payment for share buyback	6	-	(21,234)
<b>Net cash used in provided by financing activities</b>		<b>-</b>	<b>(21,234)</b>
Net decrease in cash and cash equivalents		(5,045,466)	(11,970,304)
Net foreign exchange differences		10	1,473
Cash and cash equivalents at the beginning of the period		6,410,345	19,915,387
<b>Cash and cash equivalents at the end of the period</b>		<b>1,364,889</b>	<b>7,946,556</b>

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

## Notes to the consolidated financial statements

The half-year consolidated financial statements of Thorney Technologies Ltd for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2020.

### 1. Summary of accounting policies

#### (a) Basis of preparation

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

The half-year consolidated financial statements do not include all of the information required for full-year statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 June 2019 and any public announcements made by Thorney Technologies Ltd during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

#### Changes in Accounting Standards

The accounting policies adopted in the preparation of the consolidated financial statements half-year ended 31 December 2019 are consistent with those of the most recent annual financial report. The impact of adopting any new or amended standards and interpretations that apply from 1 July 2019, was not material. The Group holds no leasing commitments. Therefore, the adoption of AASB 16 *Leases* had no impact on the Group.

### 2. Total investment income

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

	December 2019	December 2018
Realised gains	7,492,299	3,959,569
Unrealised losses	(632,232)	(3,724,332)
Unrealised FX gains/(losses)	(700,017)	393,309
<b>Net changes in fair value of investments</b>	<b>6,160,050</b>	628,546
Interest income	183,505	175,048
Dividend income	14,090	26,866
Other income	11,416	60,138
<b>Total investment income</b>	<b>6,369,061</b>	890,598

### 3. Income tax

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

	December 2019	December 2018
Profit before income tax expense	5,249,725	85,481
Prima facie tax expense on profit from ordinary activities before income tax expense at 27.5% (2018:27.5%)	(1,443,674)	(23,507)
Assessable income	(17,661)	-
Deferred income tax expense		
– Imputation credits on dividends received	-	-
Recognition of loss to offset income tax expense	1,461,335	23,507
Income tax expense recognised in the consolidated statement of comprehensive income	-	-

### 4. Deferred tax

	December 2019	June 2019
<b>Deferred tax</b>		
Trading stock	(4,930,224)	(5,271,102)
Long term financial assets	(310,258)	(268,474)
Business establishment costs	205,200	437,502
Other	312,540	75,693
Losses available for offsetting against future taxable income	28,089,071	29,854,043
<b>Net deferred tax</b>	<b>23,366,329</b>	<b>24,827,662</b>
<b>Net deferred tax asset recognised</b>	<b>7,882,179</b>	<b>7,882,179</b>
<b>Net deferred tax asset not recognised</b>	<b>15,484,150</b>	<b>16,945,483</b>

As at 31 December 2019, the Group has estimated unused gross revenue tax losses of \$102,142,075 (June 2019: \$108,560,156). These losses are available to offset against future taxable capital and revenue profits, subject to continuing to meet relevant statutory tests.

## 5 Fair value measurements

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

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

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

	December 2019	June 2019
<b>Assets measured at fair value</b>		
Level 1: Listed equities	55,553,842	50,053,934
Level 3: Financial assets <sup>1/2</sup>	27,437,413	25,403,354
<b>Total financial assets</b>	<b>82,991,255</b>	<b>75,457,288</b>
Total current	56,732,506	51,077,597
Total non-current	26,258,749	24,379,691
<b>Liabilities measured at fair value</b>		
Level 1: -	-	-
Level 2: -	-	-
Level 3: -	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Financial assets are valued using 'the *International Private Equity and Venture Capital Valuation Guidelines*'. The valuation techniques adopted include a Market Approach, an Income Approach and a Replacement Cost Approach.

<sup>2</sup> Loan notes and unlisted equities (level 3) are valued at recent transaction price, adjusted for changes in value, which equates to fair value. The value of loan notes and unlisted equities (level 3) may increase or decrease depending on the success of start-up operations, and revenue growth.

**5. Fair value measurements (continued)**

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.

The reconciliation of recurring fair value measurements categorised within Level 3 is as follows:

<b>Financial assets:</b>	<b>Loan notes</b>	<b>Unlisted equities</b>	<b>Total</b>
Balance at 1 July 2019	1,954,770	23,448,584	25,403,354
Unrealised gain/(loss) recognised in Consolidated statement of comprehensive income	404	675	1,079
Transfer from Level 1 – Non-trading	-	700,816	700,816
Transfers to Level 1 – ASX listing	(1,000,000)	(875,000)	(1,875,000)
Net Purchases of financial assets	1,159,638	2,047,526	3,207,164
<b>Balance at 31 December 2019</b>	<b>2,114,811</b>	<b>25,322,602</b>	<b>27,437,413</b>

We refer to the interim financial report of the previous financial year for the comparable information.

**6. Issued capital**

	<b>December 2019 Number of shares</b>	June 2019 Number of shares	<b>December 2019 \$</b>	June 2019 \$
<b>Ordinary shares</b>				
Balance at 1 July	257,285,224	257,368,627	55,973,077	55,994,311
Share buyback	-	(83,403)	-	(21,234)
Ordinary shares issued	-	-	-	-
Share issue costs (net of tax)	-	-	-	-
<b>Total issued capital</b>	<b>257,285,224</b>	257,285,224	<b>55,973,077</b>	55,973,077



## 7. Related party transactions

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 31 December 2019 and 2018:

	Services from and transactions with related parties	
	December 2019 \$	December 2018 \$
All related party transaction amounts shown here are exclusive of GST:		
<i>Entities with significant influence over the Group:</i>		
Thorney Management Services Pty Ltd	826,954	489,350
TIGA Trading Pty Ltd	26,000	26,000
<i>Related parties of key management personnel of the Group:</i>		
Arnold Bloch Leibler <sup>1</sup>	27,375	28,862
Bridgewater Capital Pty Ltd <sup>2</sup>	1,000	500

<sup>1</sup> Arnold Bloch Leibler is a leading Australian law firm of which Jeremy Leibler is a partner.

<sup>2</sup> Bridgewater Capital Pty Ltd is an advisory firm of which Martin Casey is a director.

## 8. Earnings per share

	December 2019	December 2018
Basic and diluted earnings per share (cents)	2.04	0.03
Earnings used in calculating basic and diluted earnings per share (\$)	5,249,725	85,481
	December 2019 of Shares	December 2018 of shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	257,285,224	257,344,150

## 9. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2019 (30 June 2019: nil).

## 10. Subsequent events

There are no reportable events subsequent to balance date.

## Directors' declaration

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

1. In the opinion of the Directors:

- (a) the financial statements and notes of Thorney Technologies Ltd for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



**Alex Waislitz**  
Chairman

Melbourne, 26 February 2020

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Thorney Technologies Ltd and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

The Ernst &amp; Young logo is a stylized, handwritten-style signature of the words 'Ernst &amp; Young' in black ink.

Ernst & Young

A handwritten signature in black ink, which appears to read 'K. Brown', is shown above a horizontal line.

Kester Brown  
Partner

Melbourne  
26 February 2020