

# SANDON CAPITAL

Sandon Capital Investments Limited

ABN 31 107 772 467

## Appendix 4E – PRELIMINARY FINAL REPORT For the full year ended 30 June 2017

### Results For Announcement to the Market

*All comparisons to the full year ended 30 June 2016*

	\$	Movement Up	Movement Up %
Revenue from ordinary activities	6,822,684	Up	47%
Profit from operating activities before tax attributable to members	4,599,245	Up	54%
Profit from operating activities after tax attributable to members	3,348,908	Up	51%
Net profit for the period attributable to members	3,348,908	Up	51%

	Cents per share	Franked amount per share	Tax rate of franking
<b>Final Dividend</b>			
2017 Final dividend	3.5	3.5	27.5%
Ex-dividend date			23 October 2017
Record date			24 October 2017
Payment date			2 November 2017

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will not apply to this fully franked dividend.

	Cents per share	Franked amount per share	Tax rate for franking
<b>Dividends paid during the period</b>			
2016 Final dividend cents per share paid 2 November 2016	3.0	3.0	30%
2017 Interim dividend cents per share paid 31 May 2017	3.5	3.5	30%

	30 June 2017 Cents	30 June 2016 Cents
<b>Net tangible Assets Per Share</b>		
Net tangible assets per share (before tax)	98.65	94.98
Net tangible assets per share (after tax)	95.90	94.57

Dividends of 6.5 cents per share were paid during the period.

Sandon Capital Investments Limited advises that its Annual General Meeting will be held on Thursday 23 November 2017. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEDT) 5 October 2017.

This report is based on the Annual Financial Report has been audited by Pitcher Partners. All documents comprise the information required by Listing Rule 4.3A. The audit report is included with the Company's Annual Report which accompanies this Appendix 4E.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Annual Report**  
**For the year ended 30 June 2017**

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Annual Report**  
**For the year ended 30 June 2017**

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**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Portfolio Composition**  
**As at 30 June 2017**

<b>Australian Securities Exchange Listed Investments</b>	<b>Total Value</b>
	<b>\$</b>
Acorn Capital Investment Fund Limited	2,914,381
Alliance Resources Ltd	337,141
AIMS Property Securities Fund	1,449,711
BC Iron Ltd	687,750
Centrepont Alliance Limited	3,114,227
Chesser Resources Limited	862,633
Clarius Group Limited	607,347
Consolidated Operations Group Ltd	9,240,915
Coventry Group Ltd	1,001,228
Fleetwood Corporation Ltd	4,745,096
Heron Resources Ltd	158,046
Iluka Resources Ltd	4,317,041
Ingenia Communities Group	389,945
Karoo Gas Ltd	202,106
Mach7 Technologies Ltd	130,743
Mineral Deposits Ltd	2,407,478
Metcash Ltd	218,112
Premiere Eastern Energy Ltd	133,200
RNY Property Trust	307,907
Smiths City Group Ltd (NZX)	3,507,438
Speciality Fashion Group Ltd	1,198,494
SMS Management & Technology Ltd	2,425,916
Spicers Ltd	1,107,861
Tatts Group Ltd	3,031,064
Tower Ltd	248,044
Universal Coal PLC	503,663
Watpac Ltd	636,830
<b>Total</b>	<b>45,884,317</b>
<b>Australian Unlisted Investment Positions</b>	
Foundation Life (NZ) Limited	204,042
Cash and cash equivalents	2,374,356
<b>Total</b>	<b>48,462,715</b>

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Chairman's Letter**  
**For the year ended 30 June 2017**

**Chairman's Letter**

Dear Fellow Shareholders,

The Directors of Sandon Capital Investments Ltd (ASX:SNC) ("SNC" or "the Company") are pleased to present the Company's Annual Report for the year ended 30 June 2017.

**Financial Highlights**

The Company reported a 51% increase in net profit after tax to \$3,348,908 for the financial year ended 30 June 2017. Revenues increased 47% to \$6,822,684 over the same period.

**Dividend Announcement – fully franked final dividend of 3.5 cents per share**

On 29 August 2017 the Directors announced a 17% increase in the final fully franked ordinary dividend to 3.5 cents per share. The Directors have decided that the dividend reinvestment plan will not apply to this dividend.

The key dates for the final dividend are:

Announcement date	29 August 2017
Ex-date	23 October 2017
Record date	24 October 2017
Date payable	2 November 2017

**Investment objectives**

SNC's objectives are to preserve shareholder capital, deliver a positive absolute return over the medium term and to provide shareholders with a growing stream of fully franked dividends.

SNC is a value investor seeking to purchase investments below its assessment of their intrinsic value. As an activist investor, SNC takes value investing one step further by aiming to influence and encourage changes that can enhance the value of its investments.

**Investment performance**

The SNC investment portfolio achieved a gross return, before all fees, expenses and taxes of 16.1%, for the financial year ended 30 June 2017 compared to a return of 13.1% for the All Ordinaries Accumulation Index, an outperformance of 2.9%.

These returns were achieved largely as a result of the application of SNC's activist investment approach. Highlights throughout the year included:

**Target:**            **BlueScope Steel Ltd (BSL)**

**Thesis**            Share price discount to value – "cheapest steel company in the world"

**Action:**           In June 2015, the investment manager published a detailed analysis of BSL. This research formed the basis of an engagement campaign with shareholders, potential investors and the analyst community. The aim was to convince "the market" that BSL was misunderstood and mispriced: that it was the cheapest steel company in the world. A key aspect of this analysis was to show the value of BSL assuming losses from the Port Kembla operation could be staunched by closing the steel mill. Unbeknown to us, BSL was itself working on a similar thesis, though theirs was to obtain cost savings sufficient to return Port Kembla to profitability. Management's plan was announced in late August 2015.

**Result:**           Late 2015 and early 2016 saw more positive data emerge from the cost cutting measures at BSL's Port Kembla operations and the acquisition of the 50% share of the Northstar steel mill it did not already own. Upgrades to earnings guidance began to improve market perceptions of BSL. The BSL share price ended the financial year up 107%, and continued to increase beyond year end. The Company exited its holding in June 2017.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Chairman's Letter**  
**For the year ended 30 June 2017**

**Chairman's Letter (continued)**

**Investment performance (continued)**

<b>Target:</b>	<b>Fleetwood Corporation Ltd (FWD)</b>
<b>Thesis</b>	Share price discount to value, need for improved governance and strategic focus
<b>Action:</b>	Having built a position in FWD shares since September 2015, on 16 June 2016 Sandon Capital released a presentation detailing its investment thesis for FWD. Meetings with Directors soon after led us to conclude that Board changes were needed, thus began a year-long campaign. Sandon Capital also requisitioned a general meeting to propose changes to the constitution that if passed would facilitate the payment of dividends.
<b>Result:</b>	Since we became shareholders, there has been a significant change in the Board. Not a single non-executive director in office then remains in place today. New chairman Phillip Campbell has led this overhaul. We recognise his efforts. FWD shareholders, with Board recommendation, overwhelming approved the changes to the constitution proposed by Sandon Capital, as well as the Board's proposals for other changes to the constitution. Although a turnaround is yet to emerge and our calls for the disposal of underperforming divisions has yet to yield results, we believe the new Directors are well placed to decide the company's future direction. FWD has gained increased broker research coverage and fund managers appear to be revisiting the company in anticipation of a turnaround.

**Outlook**

Financial year 2018 is off to a promising start. A number of companies within the portfolio have reported sound financial results, as well as poor results from the company's sole short position. There are numerous investment opportunities we have encountered that merit investment, though we cannot invest in them all. Cash levels are at historic lows, though there are several holdings, such as the one in SMS Technologies Ltd, that will soon convert to cash if the proposed scheme of arrangement is approved. We have already earmarked those cash proceeds for potential new investment opportunities.

The profit appropriation reserve, after adjusting for the payment of the 3.5 cents per share final dividend, stands at 3.3 cents per share at the end of July 2017 (on an unaudited basis).

On behalf of the Board, I would like to thank our fellow shareholders for their continued support throughout 2017 and we look forward to reporting to you on our progress in 2018.

Yours sincerely,



Gabriel Radzynski  
Chairman

29 August 2017

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Report**  
**For the year ended 30 June 2017**

The Directors of Sandon Capital Investments Limited ("the Company") present their report together with the financial statements of the Company for the year ended 30 June 2017.

Sandon Capital Investments Limited is a company limited by shares and is incorporated in Australia.

**Directors**

The Directors of the Company during the year and up to the date of this report were:

Gabriel Radzynski – Chairman

Matthew Kidman – Independent Director and Non-executive Director

Peter Velez – Director and Non-executive Director (appointed 9 May 2017)

Paul Jensen – Independent Director and Non-executive Director (resigned 9 May 2017)

**Company secretary**

Mark Licciardo and Chris Lobb were joint Company Secretaries during the reporting period and up to the date of this report. Joint secretary Chris Lobb was appointed on 18 October 2016.

**Principal activities**

The Company's principal activity is investing for profit. It is a listed investment company whose assets are managed by an external investment manager, Sandon Capital Pty Ltd ("Sandon Capital" or "the Manager").

Sandon Capital is an activist value manager. It seeks to buy investments at prices the Manager considers are below the intrinsic value of those investments. It looks for investments with high levels of tangible assets, marketable securities or cash, although investments may not always have these characteristics. The Manager deploys a range of activist strategies aimed at realising the intrinsic value of those investments. The Manager may also take advantage of other market opportunities where it considers there are reasonable prospects for a satisfactory return.

The Company may invest in cash, term deposits, unlisted and listed securities and debt instruments. As at 30 June 2017, approximately 94% of the portfolio was invested in listed securities, with the remainder invested in unlisted securities, cash and term deposits.

**Operating Results and Financial Position**

Net profit before tax of \$4,599,245 (2016: \$2,980,557) is up due to an increase in the market value of investments at 30 June 2017.

The Company's net profit after tax is up 51% for the year \$3,348,908 (2016: \$2,212,648).

The Company paid fully franked dividends totalling 6.5 cents per share during the year.

Subsequent to 30 June 2017, the Company declared an ordinary fully franked dividend of 3.5 cents per share.

During the financial year, the Company made a 1-for-1 bonus option issue to shareholders. These options, listed on the ASX under the code SNCOA give the option holder the right to acquire new ordinary shares at a price of \$1.05 per share. Options exercised during the financial year raised an additional \$3,928,018 in capital.

There are 40,001,175 options remaining unexercised. The options expire on 30 April 2018.

Cash holdings increased from \$2.3m last year to \$2.4m at year end and there was an increase in financial assets from \$40.3m last year to \$46.1m at year end.

The return to shareholders (the change in the Net Tangible Assets/share plus dividends paid) was 9.8% for the year. Total Shareholder Return over the same period (the change in share price plus dividends paid) was 26.0%.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Report**  
**For the year ended 30 June 2017**

**Director's Report (continued)**

**Dividends**

A fully franked interim dividend of 3.5 cents per share was paid on 31 May 2017. A fully franked final dividend of 3.0 cents per share was paid on 2 November 2016.

**Options issue**

The company conducted a 1-for-1 bonus options issue with a record date of 6 April 2017 which entitled shareholders to an option to purchase new shares in the company at an exercise price of \$1.05 and expiring 30 April 2018. During the year 3,740,969 options were exercised resulting in 3,740,969 new shares being issued, raising \$3,928,017.

**Events occurring after the reporting period**

The Board has declared a fully franked dividends of 3.5 cents per share, payable on 2 November 2017.

Apart from the above, no other events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

**Future Developments, Prospects and Business Strategies**

The Company will continue to selectively invest in cash, term deposits, unlisted, listed securities and debt instruments that the Manager considers offer the prospect for attractive risk-adjusted returns.

**Environmental regulations**

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

**Information on Directors**

Mr Gabriel Radzynski BA (Hons), MCom (Chairman and Non-Executive Director)

**Experience and special responsibilities**

Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is the portfolio manager of the Sandon Capital Activist Fund, a fund targeting underperforming companies. Gabriel also holds directorships in ASK Funding Ltd, Future Generation Investment Fund Limited and Mercantile Investment Company Limited.

Matthew Kidman LLB, BEC, GradDip App Fin (Independent Non-Executive director)

**Experience and special responsibilities**

Matthew Kidman is currently Chairman of Watermark Market Neutral Fund. He is a Director of WAM Capital Limited, WAM Research Limited, WAM Active Limited, Incubator Capital Limited and Centennial Asset Management Pty Ltd. He is also a Director of the investment management company Boutique Asset Management Pty Limited. Matthew worked as a portfolio manager at Wilson Asset Management (International) Pty Limited for 14 years and prior to joining Wilson Asset Management, Matthew worked as a finance journalist at the Sydney Morning Herald where he was made business editor of the paper and was charged with the responsibility of company coverage.

Matthew was appointed the Chair of the Sandon Capital Investments Limited Audit and Risk Committee on 10 May 2017.

Peter Velez LLB MA MSc (Non-Executive director)

**Experience and special responsibilities**

Peter is a corporate lawyer specialising in equity capital markets, mergers and acquisitions and funds management. Peter has also advised extensively on activist corporate activity, ASX compliance and corporate governance. Peter has been a practising lawyer since 1989 having worked at then national firm Freehill Hollingdale and Page and Sydney boutique corporate firm Watson Mangioni from 1995 to 2016. He played a key role in the development of externally-managed listed investment companies having been involved in the IPO of over 25 LICs.

Peter is a member of the Sandon Capital Investments Limited Audit and Risk Committee.



**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Report**  
**For the year ended 30 June 2017**

**Director's Report (continued)**

**Information on Directors (continued)**

**Company Secretary**

Mark Licciardo B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD (Company Secretary)

**Experience and special responsibilities**

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom Limited as well as several other public and private companies.

**Christopher Lobb – B Bus (Acc), FGIA, FCIS, CPA, MAICD**

Chris has recently been appointed the joint Company Secretary for Mercantile and is the Manger, Corporate Governance at Mertons Corporate Services Pty Ltd. Chris has over 20 years' experience as a company secretary having held the role for both for listed and unlisted entities, including CSG Limited, MSF Sugar Limited, Colonial First State Property Management and The Gandel Group. Chris is a former State Chairman of the Governance Institute of Australia and non-executive director of Box Hill Institute of TAFE.

	<b>Directors' Meeting</b>		<b>Audit &amp; Risk Committee Meetings</b>	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Gabriel Radzyninski	7	6	0	3*
Matthew Kidman	7	6	3	3
Peter Velez	1	1	0	0
Paul Jensen	6	6	3	3
<b>Total Meetings Held</b>	7	7	3	3

*\*In attendance ex-officio*

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Report**  
**For the year ended 30 June 2017**

**Remuneration report**

The Company has no employees or key management personnel (KMP), other than the three Non-executive Directors. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

*Nature and amounts of remuneration*

On 10 November 2015, Shareholders approved a reduction in the maximum total remuneration of the Directors from \$300,000 per annum to \$85,000 per annum to be divided among the Directors, in such proportions as they agree having regard to their duties and responsibilities in their role as director. Additional remuneration may be paid in accordance with the Company's Constitution.

The remuneration of the Directors is not linked to the performance of the Company. The Manager ("Sandon Capital Pty Limited") is a director related entity which received a management fee of \$651,027 (2016: \$553,714), performance fee of \$1,033,176 (2016: \$699,415) and fees for accounting and administration totalling \$49,656 (2016: \$47,779).

During the year, the company conducted a 1-for-1 bonus options issue with a record date of 6 April 2017 which entitled shareholders to an option to purchase shares in the company at an exercise price of \$1.05 and expiring 30 April 2018. These options were also made available to the Directors based on their existing shareholding on 6 April 2017.

Where specialist services beyond the normal expectations of a Non-Executive Director are provided to the Company, payment will be made on a normal commercial basis. The company has not made, guaranteed or secured directly or indirectly any loans to key management personnel or their related entities during the year.

Details of the remuneration of the Directors and key management personnel of the Company (as defined in AASB 124 Related Party Disclosures) are set out in the following tables:

	<b>Short Term Employee Benefits Cash salary and fees \$</b>	<b>Post- Employment Benefit Superannuation \$</b>	<b>Total \$</b>
<b>30 June 2017</b>			
Gabriel Radzynski	9,132	868	10,000
Matthew Kidman	22,831	2,169	25,000
Peter Velez	3,309	314	3,623
Paul Jensen*	33,015	-	33,015
	<b>68,287</b>	<b>3,351</b>	<b>71,638</b>
<b>30 June 2016</b>			
Gabriel Radzynski	9,132	868	10,000
Matthew Kidman	22,831	2,169	25,000
Paul Jensen*	25,000	-	25,000
	<b>56,963</b>	<b>3,037</b>	<b>60,000</b>

*\*Amount paid to Paul Jensen excludes GST invoiced to the Company.*

The Company has no employees other than Non-Executive Directors and therefore does not have a remuneration policy for employees. The Directors are the only people considered to be key management personnel of the Company.

**Sandon Capital Investments Limited**  
ABN 31 107 772 467

**Directors' Report**  
**For the year ended 30 June 2017**

**Remuneration report (continued)**

**Directors' Interests**

The number of shares and options held directly, indirectly or beneficially by Directors, or by entities to which they were related at the date of this report, were:

	Balance 1 July 2016 \$	Net Acquisition/ (Disposal) \$	Balance 30 June 2017 \$	
<b>2017</b>				
<b>Shares</b>				
Gabriel Radzynski	373,341	58,523	431,864	^
Matthew Kidman	123,333	-	123,333	
Paul Jensen	242,440	-	242,440	*
Peter Velez	-	42,000	42,000	
	<b>739,114</b>	<b>100,523</b>	<b>839,637</b>	
<b>2017</b>				
<b>Options</b>				
Gabriel Radzynski	-	317,813	317,813	
Matthew Kidman	-	123,333	123,333	
Paul Jensen	-	242,440	242,440	*
Peter Velez	-	-	-	
	<b>-</b>	<b>683,586</b>	<b>683,586</b>	

^includes indirect holdings

\* holdings as at the date of resignation on 9 May 2017

**Other transactions with KMP**

Sandon Capital Pty Ltd is an entity associated with Mr Gabriel Radzynski. Sandon Capital Pty Ltd provided accounting services to Sandon Capital Investments Limited. All dealings are conducted at arm's length on normal commercial terms.

	30 June 2017 \$	30 June 2016 \$
Accounting fees (GST inclusive)*	49,656	47,779
	<b>49,656</b>	<b>47,779</b>

***This is the end of the Remuneration Report***

**Indemnification and insurance of officers and auditors**

During or since the end of the financial year, the Company has not given an indemnity or entered into a agreement to indemnify, or paid or agreed to pay insurance premiums.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Report**  
**For the year ended 30 June 2017**

**Non-Audit Services**

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

**Rounding of amounts**

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar unless otherwise specified.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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



Gabriel Radzynski  
Chairman

Sydney  
29 August 2017

**Auditor's Independence Declaration  
To The Directors of Sandon Capital Investments Limited  
A.B.N. 31 107 772 467**

In relation to the independent audit of Sandon Capital Investments for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Sandon Capital Investments Limited.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

29 August 2017

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Statement of Financial Performance**  
**For the year ended 30 June 2017**

	Notes	30 June 2017	30 June 2016
Net realised and unrealised (losses)/gains on financial assets		6,094,424	3,719,972
Other Income from operating activities	3	728,260	933,815
<b>Total Income</b>		<b>6,822,684</b>	<b>4,653,787</b>
Management fees	19	(606,639)	(515,961)
Performance fees	19	(1,079,084)	(651,728)
Directors' fees	18	(71,638)	(62,463)
Company secretarial fees		(40,015)	(33,991)
Brokerage expense		(84,899)	(83,876)
Custody fees		(20,989)	(20,893)
ASX listing and chess fees		(42,041)	(40,228)
Share registry fees		(46,751)	(50,094)
Accounting fees	19	(46,270)	(44,521)
Audit fees	5	(45,618)	(52,799)
Taxation fees		(80,567)	(55,120)
Legal fees		(18,604)	(6,336)
Other operating expenses		(40,324)	(55,220)
<b>Total expenses</b>		<b>(2,223,439)</b>	<b>(1,673,230)</b>
<b>Profit before Income Tax</b>		<b>4,599,245</b>	<b>2,980,557</b>
Income tax expense	4	(1,250,337)	(767,909)
<b>Profit attributable to members of the Company</b>		<b>3,348,908</b>	<b>2,212,648</b>
<b>Basic Earnings per share (cents per share)</b>	7	<b>7.48</b>	<b>5.30</b>
<b>Diluted Earnings per share (cents per share)</b>	7	<b>7.48</b>	<b>5.30</b>

The accompanying notes form part of these financial statements.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Statement of Financial Position**  
**As at 30 June 2017**

	Notes	30 June 2017	30 June 2016
<b>Assets</b>			
Cash and cash equivalents	8	2,374,356	2,291,453
Trade and other receivables	9	151,973	153,932
Prepayments		8,527	9,326
Financial assets	10	46,147,267	40,319,990
Deferred tax assets	11	148,489	261,934
<b>Total assets</b>		<b>48,830,612</b>	<b>43,036,635</b>
<b>Liabilities</b>			
Trade and other payables	13	1,327,374	821,733
Deferred tax liabilities	12	1,472,189	386,454
<b>Total liabilities</b>		<b>2,799,563</b>	<b>1,208,187</b>
<b>Net assets</b>		<b>46,031,049</b>	<b>41,828,448</b>
<b>Equity</b>			
Issued capital	14	46,288,495	42,426,953
Profit reserve	15	2,841,091	473,001
Accumulated losses	16	(3,098,537)	(1,071,506)
<b>Total equity</b>		<b>46,031,049</b>	<b>41,828,448</b>

The accompanying notes form part of these financial statements.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Statement of Changes in Equity**  
**As at 30 June 2017**

	Notes	Issued Capital	Retained profits/ accumulated losses	Profit Reserve	Total Equity
		\$	\$	\$	\$
<b>Balance at 1 July 2015</b>		35,443,889	(1,071,506)	467,011	34,839,394
Profit for the year attributable to the owners of the Company		-	2,212,648	-	2,212,648
Transfer to profits reserve		-	(2,212,648)	2,212,648	-
Shares Issued via DRP		186,334	-	-	186,334
Shares issued via exercise of options		5,000	-	-	5,000
Shares issued via share purchase Plan and placement		6,893,588	-	-	6,893,588
Dividends provided or paid		-	-	(2,206,658)	(2,206,658)
Cost of raising capital, net of tax		(101,858)	-	-	(101,858)
<b>Balance at 30 June 2016</b>	14	<b>42,426,953</b>	<b>(1,071,506)</b>	<b>473,001</b>	<b>41,828,448</b>
Profit for the year attributable to the owners of the Company		-	3,348,908	-	3,348,908
Transfer to profit reserve	15	-	(5,375,939)	5,375,939	-
Shares issued via exercise of options		3,928,017	-	-	3,928,017
Dividends provided or paid	6	-	-	(3,007,849)	(3,007,849)
Cost of raising capital, net of tax		(66,475)	-	-	(66,475)
<b>Balance at 30 June 2017</b>	14	<b>46,288,495</b>	<b>(3,017,091)</b>	<b>2,841,091</b>	<b>46,031,049</b>

The accompanying notes form part of these financial statements.



**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Statement of Cash Flows**  
**For the year ending 30 June 2017**

	Notes	30 June 2017 \$	30 June 2016 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		28,414,293	15,850,098
Payments for investments		(28,032,695)	(29,617,974)
Dividends and capital return received		661,549	5,238,245
Interest received		40,556	194,617
Other income received		45,000	77,656
Management fees (GST inclusive)		(599,497)	(505,444)
Performance fees (GST inclusive)		(699,415)	-
Brokerage expense (GST inclusive)		(84,899)	(83,876)
Payment of other operating expenses		(392,226)	(274,784)
<b>Net cash used in operating activities</b>	20	<u>(647,337)</u>	<u>(9,121,462)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares – share purchase plan & placement		-	6,893,588
Proceeds from issue of new shares - options exercised		3,833,053	5,000
Cost of raising capital		(94,964)	(145,501)
Dividends paid net of re-investment		(3,007,849)	(2,020,324)
<b>Net cash provided by financing activities</b>		<u>730,240</u>	<u>4,732,763</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		82,903	(4,388,699)
Cash and cash equivalents at the beginning of the year		2,291,453	6,680,152
<b>Cash and cash equivalents at end of the year</b>	8	<u><u>2,374,356</u></u>	<u><u>2,291,453</u></u>
<b>Non-cash transactions</b>			
Shares issued via dividend reinvestment plan		-	186,334

The accompanying notes form part of these financial statements.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**1. Basis of preparation**

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

Sandon Capital Investments Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Sandon Capital Investments Limited ("the Company") is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied, unless otherwise stated.

The financial report was approved for release by the Board of Directors on 29 August 2017.

Except for cashflow information, the financial report has been prepared on an accruals basis. Financial assets and liabilities are measured at fair value. All amounts are presented in Australian dollars.

**2. Statement of Significant Accounting Policies**

**a) Financial instruments**

*Recognition, Classification and Measurement*

Financial assets are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are measured at fair value. Fair value is the price the Company would receive to realise an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the Company uses closing quoted last prices as a basis of measuring the fair value of assets and liabilities that are listed. The fair values of assets and liabilities that are not traded in an active market are determined using valuation techniques that maximise the use of observable market data.

A range of valuation techniques are applied to determine the fair value for unlisted securities.

Transaction costs related to financial instruments are expensed in the Statement of Financial Performance when incurred.

*Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Financial Performance in the period in which they arise.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**2. Statement of Significant Accounting Policies (continued)**

**a) Financial instruments (continued)**

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

*Impairment*

Impairment charges are non-cash expenses and are recognised when the carrying value of an asset or group of assets is no longer recoverable either through the use or sale of the asset. Recoverable value assessment for each asset class is discussed within the notes for each asset.

Impairment losses are expensed to the income statement unless the asset has been previously revalued. Where the asset has been previously revalued, the reduction in value is recognised as a reversal to the extent of the previous revaluation, and any residual is recognised as an impairment expense.

For all other assets, an assessment is made at each reporting date as to whether an impairment loss recognised in a prior period no longer exists or has decreased. If it is determined that the impairment is no longer required, the carrying value of the asset is increased and the previously recognised impairment expense is reversed in the income statement.

**b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and term deposits maturing within three months or less.

**c) Revenue and Other Income**

Interest income is recognised in the Statement of Financial Performance for all financial instruments on an accrual basis. Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

**d) Trade and other receivables**

Interest income is recognised in the Statement of Financial Performance for all financial instruments on an accrual basis. Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

**e) Trade and other payables**

Trade and other payables are non-derivative financial liabilities and are stated at amortised cost. Purchases of securities and investments that are unsettled at the reporting date are included in payables and are normally settled within three business days of trade date.

**f) Expenses**

All expenses are recognised in the Statement of Financial Performance on an accrual basis.

**g) Income tax**

The charge of current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the reporting date. Current tax liabilities/(assets) are measured at the amounts expected to be paid/(recovered from) the relevant taxation authority.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**2. Statement of Significant Accounting Policies (continued)**

**g) Income tax (continued)**

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or settled. Deferred tax is credited in the Statement of Financial Performance except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets relating to temporary differences and unused tax losses are recognised, to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset when there is a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax asset and liabilities are only offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**h) Earnings per Share (EPS)**

Basic earnings per share are determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are determined by dividing the operating profit after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

**i) Issued Capital**

Ordinary shares are classified as equity. Issued capital is recognised at value of the consideration received by the Company. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**j) Profits reserve**

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

**k) Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

**l) Critical accounting estimates and judgements**

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2017. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**2. Statement of Significant Accounting Policies (continued)**

**m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a GST inclusive basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**n) New and amended accounting policies adopted**

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to adopt any of the new and amended pronouncements. A new and amended pronouncement that is relevant to the Company, but applicable in future reporting periods is AASB 9: *Financial Instruments* and its associated amending standards.

**n) New and amended accounting policies adopted (continued)**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 (AASB 139) - Financial Instruments: Recognition and Measurement. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial assets continues to be measured in accordance with AASB 139. The Company has not early adopted AASB 9. This is not expected to have a significant impact on the Company's financial statements as the Company does not elect any investments as not held for trading.

**o) Comparative figures**

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current period.

**p) Rounding of amounts**

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar unless otherwise stated.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

<b>3. Other income</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Dividend income	628,412	661,327
Trust distributions	37,850	47,956
Interest income	54,848	194,832
Other income	7,150	29,700
	<u>728,260</u>	<u>933,815</u>
 <b>4. Income tax</b>		
Deferred income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	141,933	1,108,169
Increase in deferred tax liabilities	1,088,643	(340,260)
Current tax movement	19,761	-
	<u>1,250,337</u>	<u>767,909</u>
 Current income tax benefit		
Profit from continuing operations before income tax expense	<u>4,599,245</u>	<u>2,980,557</u>
 Prima facie tax expense on (loss)/profit from ordinary activities at 30%	1,379,774	894,167
Imputation credit gross up	59,579	54,770
Franking credit offset	(198,597)	(182,568)
Other deductible items	11,755	(3,981)
Withholding tax claimed	3,941	
(Over provision)/Under provision in prior year	(6,114)	5,520
	<u>1,250,338</u>	<u>767,908</u>
 Effective tax rate	<b>27.2%</b>	<b>25.8%</b>

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income and the utilisation of carried forward losses.

**5. Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor and its related practices:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
 <b>Pitcher Partners</b>		
Agreed fees for audit and review of financial reports	45,618	48,206
Other assurance services	-	4,593
	<u>45,618</u>	<u>52,799</u>

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**6. Dividends**

**a) Dividends paid during the year**

	Amount per security (cents)	Franked amount per security (cents)
The following dividends were paid or provided for during the year:		
Final and special fully franked dividend for the year ended 30 June 2016 paid on 2 November 2016.	3.0	3.0
Interim fully franked dividend of 3.5 cents per share for the period ended 31 December 2016 paid on 31 May 2017.	3.5	3.5
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Final fully franked dividend of 3.0 per share paid 2 November 2016 (2016: Final and special fully franked dividends of 3.0 cents per share paid on 30 October 2016).	1,327,806	1,321,454
Interim fully franked dividend of 3.5 cents per share paid 31 May 2017 (2016: Interim fully franked dividend of 2.0 cents per share for the year ended 30 June 2016 paid on 26 April 2016).	1,680,043	885,204
	<b>3,007,847</b>	<b>2,206,658</b>

**b) Dividends declared but not recognised at year end**

In addition to the above dividends, since the end of the year, the Directors have declared 3.5 cents per share fully franked dividend, which has not been recognised as a liability at the end of the financial year:

	\$	\$
Final fully franked dividend for 2017 of 3.5 cents per share (2016: Final fully franked dividend of 3.0 cents per share)	1,680,041	1,327,806

**(c) Dividend franking account**

	30 June 2017	30 June 2016
Balance at the beginning of the year	2,609,633	3,372,776
Franking credits on dividends received	198,597	182,568
Franked dividends paid	(1,289,078)	(945,711)
Balance available for subsequent reporting periods	1,519,152	2,609,633
Franked dividend declared but not recognised as liability at 30 June 2017	(720,018)	(569,060)
Balance available for subsequent reporting periods	<b>799,134</b>	<b>2,040,573</b>

Franking credits (cents per share)*	1.66	4.61
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*\*excludes any franking credits that will arise on tax paid during the year.*

The franking balance of 1.66 cents per share supports the payment of a fully franked dividend of 4.39 cents per share, should there be sufficient profit reserves available.

Total number of fully paid shares issued as at 30 June 2017 is 48,001,175.

**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**7. Earnings per share**

Profit after income tax used in the calculation of basic and diluted earnings per share

	3,348,908	2,212,648
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**No. shares**

**No. shares**

Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS

	44,766,089	41,709,744
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Basic earnings per share (cents per share)

7.48

5.30

The share prices as at 30 June 2017 has not risen above the option exercise price of \$1.05, therefore it does not have a dilutive effect on the earnings per share calculation.

There are no outstanding securities that are potentially dilutive in nature for the Company.

**8. Cash and cash equivalents**

Cash at bank  
Term deposits

**30 June 2017**

**30 June 2016**

	2,374,356	1,783,331
	-	508,122
	2,374,356	2,291,453

**9. Trade and other receivables**

Outstanding settlements  
Interest receivable  
Distribution receivable  
Dividend and withholding tax receivable  
GST receivable  
Other receivable

	10,524	26,230
	-	215
	14,506	-
	18,384	51,521
	108,559	51,546
	-	24,420
	151,973	153,932

Outstanding settlements are unsettled sales with brokers which are generally received within two business days.

**10. Financial assets**

**Financial assets held-for-trading comprise of:**

Listed investments  
Unlisted investments

**30 June 2017**

**30 June 2016**

	45,943,225	40,113,541
	204,042	206,449
	46,147,267	40,319,990



**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**11. Deferred tax asset**

	Opening Balance 1 July 2016	Under/(Over) Provision	Charged to Profit or Loss	Charged to Equity	Closing Balance 30 June 2017
	\$	\$	\$	\$	\$
Accrued expense movements	50,018	(38,348)	13,495	-	25,165
Tax losses recognised	32,000	(31,543)	(457)	-	-
Capitalised costs	179,916	(2,542)	(82,539)	28,489	123,324
<b>Balance</b>	<b>261,934</b>	<b>(72,433)</b>	<b>(69,500)</b>	<b>28,489</b>	<b>148,489</b>

**12. Deferred tax liability**

	Opening Balance 1 July 2016	Under/(Over) Provision	Charged to Profit or Loss	Closing Balance 30 June 2017
	\$	\$	\$	\$
Accrued income movements	14,340	(4,110)	(10,230)	-
Fair value adjustments	372,114	(74,437)	1,174,512	1,472,189
<b>Balance</b>	<b>386,454</b>	<b>(78,547)</b>	<b>1,164,282</b>	<b>1,472,189</b>

**13. Trade and other payables**

	30 June 2017	30 June 2016
Management fee payable	55,972	48,830
Performance fee payable	1,158,041	699,415
Outstanding settlements	-	9,855
Other payables	113,361	63,632
<b>Total trade and other payables</b>	<b>1,327,374</b>	<b>821,732</b>

**14. Contributed equity and movements in total equity**

	30 June 2017		30 June 2016	
	\$	No.	\$	No.
<b>Share Capital</b>				
Fully paid ordinary shares	46,288,495	48,001,175	42,426,953	44,260,206
<b>Movements in shares on issue:</b>				
Opening balance	42,426,953	44,260,206	35,443,889	36,210,048
Shares issued – dividend reinvested	-	-	186,334	211,743
Shares issued – options exercised	3,928,017	3,740,969	5,000	5,000
Shares issued – share placement plan	-	-	6,893,588	7,833,415
Cost of raising capital net of tax	(66,475)	-	(101,858)	-
<b>Closing balance</b>	<b>46,288,495</b>	<b>48,001,175</b>	<b>42,426,953</b>	<b>44,260,206</b>

During the year, 3,740,969 options were exercised at \$1.05 per share. All remaining options will expire on 30 April 2018.

**Terms and conditions of contributed equity:**

Ordinary shares have the right to receive dividends as declared. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**14. Contributed equity and movements in total equity (continued)**

**Capital management**

The Company's objectives with respect to managing its capital are to provide shareholders with capital growth over the medium term, balanced with the payment of a growing stream of fully franked dividends.

The Board manages the Company's capital through share and options issuance (including the Dividend Reinvestment Plan), share buy-backs and the distribution of dividends to shareholders. These capital management initiatives will be used when deemed appropriate by the Board.

There have been no changes in the strategy adopted by the Board in managing the capital of the Company since the prior year. The Company is not subject to any externally imposed capital requirements.

**Dividend Policy**

The Company's dividend policy to pay a regular and growing stream of fully franked dividends to shareholders, provided that the company has sufficient profit reserves, franking credits and it is within prudent business practice. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

Dividends are paid on a six monthly basis.

The Company has a Dividend Reinvestment Plan. The Dividend Reinvestment Plan will not operate for the 3.5 cents final ordinary dividend declared on 29 August 2017.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>15. Profits reserve</b>		
<b>Movement in profit reserve</b>		
Balance as at beginning of the period	473,001	467,011
Transfer from retained earnings	5,375,939	2,212,648
Dividend paid	(3,007,849)	(2,206,658)
	<u><b>2,841,091</b></u>	<u><b>473,001</b></u>
Profit reserve (cents per share)	5.92	1.07
<b>16. Accumulated losses</b>		
Balance as at beginning of the period	(1,071,506)	(1,071,506)
Profit for the year	3,348,908	2,212,648
Transfer to profit reserve	(5,375,939)	(2,212,648)
	<u><b>(3,098,537)</b></u>	<u><b>(1,071,506)</b></u>

**17. Financial risk management**

The Company's financial instruments consist of cash and cash equivalents, listed and unlisted investments, trade receivables and trade payables. The risks to which the Company is exposed through these financial instruments are discussed below and include liquidity risk, counter party risk and market risk consisting of other price risk, foreign exchange risk, and interest rate risk.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Company. The Manager monitors these risks on a regular basis.

**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**17. Financial risk management (continued)**

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets at Amortised Cost</b>		
Cash and cash equivalents	2,374,356	2,291,453
Trade and other receivables	151,972	153,932
Prepayments	8,527	9,326
<i>Financial assets at fair value through profit or loss:</i>		
Listed investments	45,943,225	40,113,541
Unlisted investments	204,042	206,449
	<b>48,682,122</b>	<b>42,774,701</b>
<b>Financial liabilities</b>		
Trade and other payables	1,327,374	821,733
	<b>1,327,374</b>	<b>821,733</b>

**(a) Fair value hierarchy**

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Included in Level 1 of the hierarchy are listed investments. The fair value of these financial assets have been based on the closing quoted last prices at the end of the year, excluding transaction costs.

As at 30 June 2017, the Company has one unlisted investment classified at level 3. Its fair value has been determined at the Net Asset Value/unit based on the best available information as at 30 June 2017.

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2017.

<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets held for trading:</b>				
Listed investments	45,943,225	-	-	45,943,225
Unlisted investments	-	-	204,042	204,042
	<b>45,943,225</b>	<b>-</b>	<b>204,042</b>	<b>46,147,267</b>

There were no transfers between levels for recurring fair value measurements during the period.

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets held for trading:</b>				
Listed investments	40,113,541	-	-	40,113,541
Unlisted investments	-	-	206,449	206,449
	<b>40,113,541</b>	<b>-</b>	<b>206,449</b>	<b>40,319,990</b>

**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**17. Financial risk management (continued)**

**(b) Objectives, strategies, policies and processes**

This note presents information about the Company's exposure to each of the risks identified below and the Company's policies and processes for measuring and managing risks.

The Manager, Sandon Capital Pty Limited, invests the Company's capital in accordance with the Company's investment objectives and terms and conditions as set out in the Investment Management Agreement.

**(c) Market risk**

Market risk is the risk of changes in market environment, such as changes in inflation expectations (drives a change in interest rates) or the return of an asset class (Australian/International equities measured by an appropriate index).

By its nature, as a listed investment company that invests in Australian and New Zealand securities, the Company will always be subject to market risk. The market risk is inherent and can be partially managed by the skill of the manager. Further, the Manager tends to invest in a concentrated portfolio of securities, this offers some diversification benefits but may not be as diverse as a broad market exposure.

**(i) Other price risk**

The Company is exposed to share price risk through its investments in securities on the Australian and New Zealand Stock Exchange.

Price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company's investments are recorded at fair value, any fair value changes are recognised in the Statement of Financial Performance, any change in market conditions will likely directly affect net investment income.

The Manager mitigates this price risk through its disciplined stock selection and portfolio construction process and adherence to the Company's investment guidelines.

The Company's investments are monitored on a regular basis by the Manager.

The Company's exposure to price risk on classes of financial assets and liabilities is as follows:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets –held for trading</b>		
Listed investments	45,943,225	40,113,541
Unlisted investments	204,042	206,449
	<u>46,147,267</u>	<u>40,319,990</u>
Price risk sensitivity analysis		
Change in Profit before tax		
– Increase in portfolio prices by 5%	2,307,363	2,016,000
– Decrease in portfolio prices by 5%	(2,307,363)	(2,016,000)

Held-for-trading financial assets are actively managed on a short term basis and are fair valued through the Statement of Financial Performance. Any movement in the portfolio price will be recorded in the Statement of Financial Performance.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**17. Financial risk management (continued)**  
**(c) Market risk (continued)**

**(ii) Foreign exchange risk**

The majority of the Company's investments are listed on the Australian Securities Exchange and are quoted in Australian dollars.

The Company's two investments in New Zealand have a total direct translation exposure at 30 June 2017 of \$3,771,480.

The Company has the ability to hedge foreign exchange exposure. During the financial year 2017 AUD/NZD exposure was not hedged.

The New Zealand dollar depreciated against the Australian dollar exchange rate in financial year 2017 and the exposure made a negligible negative contribution to the portfolio's return.

**(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The Company, however, is not materially exposed to interest rate risk as the majority of its cash and term deposits mature within three months. The following sensitivity analysis only comprises the Company's direct exposure to changes in interest rate risk.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Changes in Profit/Equity		
Increase in interest rates by 0.5%	11,872	11,457
Decrease in interest rates by 0.5%	(11,872)	(11,457)

The Company's direct exposure to interest rate risk and the effective weighted interest rates on classes of financial assets and liabilities are as follows:

	<b>Weighted average effective interest</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>2017</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>					
Cash and cash equivalents	0.60%	2,374,356	-	-	2,374,356
Investment in bonds		-	1,293,188	-	1,293,188
<b>Total financial assets exposure</b>		2,374,356	1,293,188	-	3,667,544
<b>2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.71%	2,291,453	-	-	2,291,453
Investment in bonds		-	1,236,814	-	1,236,814
<b>Total financial assets exposure</b>		2,291,453	1,236,814	-	3,528,267

**Sandon Capital Investments Limited**  
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**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**17. Financial risk management (continued)**

**(d) Counter party risk**

Counter party risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to counterparty risk on financial assets, is the carrying amount net of any provision for impairment of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that our counterparties are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diverse to mitigate the general counterparty risk.

The majority of the Company's receivables arise from unsettled trades at year end which are settled two days after trade date. The Manager engages with brokers and purchases securities that are listed on the Australian and New Zealand Securities Exchanges.

Counter party risk is not considered to be a material risk to the Company as the majority of cash and term deposits held by the Company are invested with major Australian financial institutions. Any term deposit typically matures within three months.

None of the assets exposed to counter party risk are overdue or considered to be impaired.

**(e) Concentrations of risk**

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

As the manager tends to invest in a concentrated portfolio of securities, this offers some diversification benefits but may not be as diverse as a broad market exposure.

The concentrations of risk were monitored by the Manager to ensure they were within acceptable limits by reducing the exposures ensuring appropriate diversification or by other means as deemed appropriate.

**(f) Liquidity risk**

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

In normal market conditions, the company has a high level of liquidity. The high liquidity is a function of the level of cash or cash equivalents held and that its other financial assets are listed on recognised security exchange and there is a quoted market for those assets.

The liquidity of the investment portfolio is monitored and managed by the investment manager. The manager takes into account the size of the investment position and the average daily turnover of the investee company on the exchange.

The Manager monitors the Company's cash-flow requirements regularly by reference to known sales and purchases of securities, dividends and interest to be paid or received. The Company typically holds a portion of its portfolio in cash sufficient to ensure that it has cash readily available to meet all payments and to take advantage of the price of investment opportunities.

All the trade payables and financial liabilities are typically settled within 30 days.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**18. Directors remuneration and holdings**

**(a) Names and positions held of key management personnel in office as at the end of the financial year are:**

**Key Management Person**

Gabriel Radzynski	Non-executive Director & Chairman
Matthew Kidman	Non-executive Director
Peter Velez	Non-executive Director

**(b) Aggregate compensation made to Key Management Personnel**

	Short term benefits	Post-Employment Benefit Superannuation	Total
<b>Year Ended 30 June 2017</b>	68,287	3,351	71,638
<b>Year Ended 30 June 2016</b>	56,963	3,037	60,000

**(c) Other transactions with key management personnel or entities related to them**

No Director has entered into a material contract with the Company since the last reporting date and there were no material contracts involving Directors' interests subsisting at the reporting date.

**(i) Loan transactions and balances**

The Company has not made, guaranteed or secured, directly or indirectly any loans to key management personnel or their related entities during the year (2016: \$Nil).

**(ii) Shareholdings**

From time to time directors of Sandon Capital Investments Limited, or their director related entities, could purchase or sell the Company's securities through the Australian Securities Exchange in accordance with the Company's security trading policy.

Number of Shares held directly, indirectly or beneficially by Key Management Personnel, or by entities to which they were related, were:

	Balance 1 July 2016	Net Acquisition	Balance 30 June 2017	
	\$	\$	\$	
<b>2017 Shares</b>				
Gabriel Radzynski	373,341	58,523	431,864	^
Matthew Kidman	123,333	-	123,333	
Paul Jensen	242,440	-	242,440	*
Peter Velez	-	42,000	42,000	
	<b>739,114</b>	<b>100,523</b>	<b>839,637</b>	
<b>Options (expiring 30 April 2018)</b>				
Gabriel Radzynski	-	317,813	317,813	
Matthew Kidman	-	123,333	123,333	
Paul Jensen	-	242,440	242,440	*
Peter Velez	-	-	-	
	<b>-</b>	<b>683,586</b>	<b>683,586</b>	

^includes indirect holdings

\*holdings as at the date of resignation on 9 May 2017

**Sandon Capital Investments Limited**  
ABN 31 107 772 467

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**18. Directors remuneration and holdings (continued)**

	Balance 1 July 2015 \$	Net Acquisition/ (Disposal) \$	Balance 30 June 2016 \$	
<b>2016</b>				
<b>Shares</b>				
Gabriel Radzynski	329,938	43,403	373,341	^
Paul Jensen	221,987	20,453	242,440	
Matthew Kidman	102,222	21,111	123,333	
	<b>654,147</b>	<b>84,967</b>	<b>739,114</b>	
	Balance 1 July 2015 \$	Expiration of options	Balance 30 June 2016	
<b>Options (expired on 24 July 2015)</b>				
Gabriel Radzynski	87,500	(87,500)	-	
Paul Jensen	275,000	(275,000)	-	
Matthew Kidman	100,000	(100,000)	-	
	<b>462,500</b>	<b>(462,500)</b>	<b>-</b>	

**19. Related Party Transactions**

**(a) Investment management agreement**

The Company and Sandon Capital Pty Limited ("the Manager") entered into a management agreement dated 11 November 2013. A Director of the Company, Gabriel Radzynski, is also a Director of the Manager. The Manager is permitted to undertake investments that fall within the Company's investment strategy on the behalf of the Company and without the approval of the Company's Directors. Investments that are outside the Company's investment strategy will require Board approval. In circumstances where Board approval is required, the Manager will provide the Board with details of the relevant investment opportunity. The Board will review the information and will either give or withhold the approval required for the Company to make that investment. Assuming that the Board approves the investment, the Manager will then execute the investment on behalf of the Company.

The term of the management agreement is 10 years and neither the Company, nor the Manager, may terminate the Management Agreement upon the occurrence of a change of control event in respect of either party.

**(b) Management and performance fees**

The Manager is entitled to be paid a monthly management fee equal to 0.1042% (exclusive of GST) of the gross value of the Portfolio calculated on the last business day of each month. Management fee is 1.5% per annum (exclusive of GST).

The Manager is also entitled to receive a performance fee calculated as a percentage of the increase in the value of the Portfolio for each performance period. The performance fee is equal to 20% (exclusive of GST) of the amount (if any) of portfolio over-performance (amount by which the increase in the value of the portfolio exceeds the benchmark performance) during the performance calculation period.

In accordance with the IPO Prospectus, the Manager will only be entitled to a performance fee if and when the NTA per share of the Company is equal to or greater than \$1 per share adjusted for dividends.



**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**19. Related Party Transactions (continued)**

**(b) Management and performance fees**

In the financial year 2017, the NTA per share adjusted for dividends paid, was above \$1.00 and accordingly the Manager was entitled to receive a performance fee.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
Management fees (GST inclusive)*	651,027	553,714
Performance fees (GST inclusive)*	1,033,176	699,415
	<u>1,684,203</u>	<u>1,253,129</u>

**(c) Accounting fee**

Sandon Capital Pty Limited also receives a monthly fee in return for providing accounting and administration services to the Company.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
Accounting fees (GST inclusive)*	49,656	47,779
	<u>49,656</u>	<u>47,779</u>

At 30 June 2017, \$1,214,031 remains payable by the Company to Sandon Capital Pty Ltd (2016: \$748,245 GST inclusive).

*\* The difference between the amount disclosed above and the Statement of Financial Performance are the reduced input tax credits claimable.*

**20. Cash flow information**

**30 June 2017**      **30 June 2016**  
\$                                  \$

**(a) Reconciliation of Cash Flow from operating activities with profit after income tax**

Cash Flow from operations after income tax	3,348,908	2,212,648
Net movement in financial assets held for trading	(3,532,354)	(13,525,840)

**Changes in assets and liabilities:**

Decrease in receivables	1,959	92,330
Decrease in prepayments	799	6,287
Decrease in deferred tax assets	113,445	1,064,516
Increase in payables	505,642	688,338
(Decrease)/increase in deferred tax liabilities	(1,085,735)	340,260
<b>Net cash used in operating activities</b>	<u>(647,337)</u>	<u>(9,121,461)</u>

**21. Investment transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 333. Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$84,899 (2016: \$83,876).

**22. Events occurring after the reporting period**

The Board has declared a fully franked final dividend of 3.5 cents per share, payable on 2 November 2017.

Apart from the above, no events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Financial Statements**  
**For the year ended 30 June 2017**

**23. Contingencies and commitments**

There are no contingent assets or liabilities as at 30 June 2017 (2016: Nil). As at 30 June 2017, the Company had nil commitments (2016: Nil).

**24. Segment information**

The Company currently engages in investing activities, including cash, term deposits, equity and debt instruments. It has no other reportable business or geographic segments.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Directors' Declaration**  
**For the year ended 30 June 2017**

Directors' Declaration

In accordance with a resolution of the Directors of Sandon Capital Investments Limited, the Directors of the Company declare that:

- a) the financial statements and notes, as set out on pages 11 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards which is stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer of the Manager, Sandon Capital Pty Limited declaring that:
  - (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (iii) the financial statements and notes for the year give a true and fair view.

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



Gabriel Radzynski  
Chairman

Sydney  
29 August 2017

**Independent Auditor's Report  
to the Members of Sandon Capital Investments Limited  
A.B.N. 31 107 772 467**

**REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of Sandon Capital Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of financial performance, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

**Opinion**

In our opinion

- a) the financial report of Sandon Capital Investments Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Basis of Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b><i>Existence, Completeness, Valuation, and Classification of Financial Assets</i></b> <b><i>Refer to Note 10: Financial Assets and Note 17 a): Financial risk management – Fair value hierarchy</i></b>	
<p>We focused our audit effort on the valuation, existence and completeness of the Company's financial assets as they are its largest asset and represent the most significant driver of the Company's net tangible assets and profits.</p> <p>The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments.</p> <p>We therefore identified the valuation, existence and completeness of investments as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ We obtained an understanding of the investment management process and controls;</li> <li>▪ We reviewed the latest available independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian;</li> <li>▪ We made enquires as to whether there had been any changes to these controls or their effectiveness;</li> <li>▪ For the period since the last internal controls audit we tested a sample of purchase and sale transactions and traced these through to the custodian and company's records;</li> <li>▪ We agreed the investment holdings to a confirmation obtained directly from the Custodian;</li> <li>▪ We assessed the Company's valuation of individual investment holdings to independent sources where readily observable data was available. For investments where there was little or less observable market data, we obtained and assessed other relevant valuation data;</li> <li>▪ We evaluated the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses.</li> </ul>

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b><i>Accuracy and Completeness of Management and Performance Fees</i></b> <b><i>Refer to Note 13: Trade and other payables, Note 19 b): Related party transactions and Remuneration Report</i></b>	
<p>We focused our audit effort on the accuracy and completeness of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p> <p>We therefore identified the accuracy and completeness of management and performance fees as an area of focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements;</li> <li>▪ Considered the treatment of events that may be significant to the calculation of management and performance fees;</li> <li>▪ In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement;</li> <li>▪ Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test;</li> <li>▪ We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.</li> </ul>

### **Other information**

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' Responsibility for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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 controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the company or business activities within the Company to express an opinion on the financial report. We are

responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore 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 REMUNERATION REPORT**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 8 of the Directors' Report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Sandon Capital Investments Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The Directors of Sandon Capital Investments Limited 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.



**S M Whiddett**  
Partner



**Pitcher Partners**  
Sydney

Dated in Sydney this 29<sup>th</sup> day of August 2017



**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**ASX Additional Information**  
**For the year ended 30 June 2017**

**ASX Additional Information**

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

**Substantial ordinary shareholders shareholding (as at 18 August 2017)**

The following have advised that they are a substantial shareholder of Sandon Capital Investments Limited (ASX: SNC). The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

<b>Substantial ordinary shareholders</b>	<b>No. of shares</b>	<b>% of total</b>
Victor John Plummer <sup>1</sup>	2,500,000	6.9
Dynasty Peak Pty Ltd <sup>2</sup>	1,751,475	5.0

1. Notice received on 20 July 2015

2. Notice received on 28 April 2014

**Distribution of shareholders (as at 18 August 2017)**

<b>Category</b>	<b>No. of shareholders</b>
1-1,000	190
1,001- 5,000	187
5,001-10,000	185
10,001-100,000	656
100,001 and over	58
	<b>1,276</b>

The number of shareholdings held in less than marketable parcels is 151.

**Twenty largest shareholders - Ordinary shares (as at 11 August 2017)**

	<b>Number of ordinary shares held</b>	<b>Percentage of issued capital held</b>
Victor John Plummer	4,000,000	8.33
HSBC Custody Nominees (Australia) Ltd	2,758,198	5.75
Dynasty Peak Pty Ltd	2,494,285	5.20
Heathers Super Pty Ltd	1,374,090	2.86
Donwood Pty Ltd	1,034,091	2.15
Navigator Australia Ltd	1,027,965	2.14
English Family Super Fund Pty Ltd	779,109	1.62
JF & FJ Cunningham Superannuation Pty Ltd	517,045	1.08
Robert Nairn Pty Ltd	500,000	1.04
Robyn Robinson Holdings Pty Ltd	397,045	0.83
Mr John Stephen Michael Heathers & Ms Margaret Jean Heathers	392,345	0.82
Mr William Bloomfield	384,110	0.80
Investment Custodial Services Limited	355,741	0.74
Great D Pty Ltd	350,000	0.73
Mrs Robyn Robinson	327,045	0.68
Guys Investments Pty Ltd	305,853	0.64
Piaster Pty Ltd	295,744	0.62
Australian Executor Trustees Limited	290,000	0.60
Henggeler Super Pty Ltd	260,000	0.54
Hidiga Pty Limited	257,364	0.54
	<b>18,100,030</b>	<b>37.53</b>

**Voting Rights**

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**ASX Additional Information**  
**For the year ended 30 June 2017**

**Substantial option holders option holding (as at 18 August 2017)**

There has been no substantial shareholder notices received in relation to Sandon Capital Investments Limited Options (ASX: SNCOA).

**Distribution of option holders (as at 18 August 2017)**

<b>Category</b>	<b>No. of shareholders</b>
1-1,000	192
1,001- 5,000	218
5,001-,10,000	161
10,001-100,000	547
100,001 and over	52
	<b>1,170</b>

**Twenty largest option holders (as at 18 August 2017)**

	<b>Number of ordinary shares held</b>	<b>Percentage of issued capital held</b>
Dynasty Peak Pty Ltd	2,534,285	6.25
Victor John Plummer	2,490,000	6.15
HSBC Custody Nominees (Australia) Ltd	2,444,698	5.75
BNP Paribas Nominees Pty Ltd	1,262,447	2.86
Donwood Pty Ltd	1,034,091	2.15
Navigator Australia Ltd	984,674	1.99
Manatee Pty Ltd	942,552	1.62
Mr David Heath & Ms Patricia Jeffery	811,391	1.08
Mr John Stephen Michael Heathers & Ms Margaret Jean Heathers	392,345	1.04
Mr William Bloomfield	375,000	0.83
Great D Pty Ltd	350,000	0.82
Investment Custodial Services Limited	318,506	0.78
JE & FJ Cunningham Superannuation Pty Ltd	317,045	0.74
Piaster Pty Ltd	315,744	0.73
Australian Executor Trustees Limited	290,000	0.68
Mr Donald Gordon MacKenzie & Mrs Gwenneth Edna MacKenzie	271,972	0.64
Ms Mei Wai Smith & Mr Lawrence Joseph Smith	270,000	0.62
Mifar Pty Ltd	269,762	0.60
RK & DF Consulting Pty Ltd	250,000	0.54
Investment and Money Management Pty Ltd	208,176	0.54
	<b>16,133,688</b>	<b>39.82</b>

**Voting Rights**

Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised and subsequently registered as ordinary shares.

**Stock Exchange Listing**

Quotation has been granted for all of the ordinary shares and option (ASX code: SNC and SNCOA respectively) of the Company on all Member Exchanges of the ASX Limited.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**ASX Additional Information**  
**For the year ended 30 June 2017**

**Corporate Governance Statement**

The Board of Directors of Sandon Capital Investments Limited ("Sandon" or "the Company") is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a Company's website.

Accordingly, a copy of the Company's CGS is available on the Sandon website at [www.sandoncapital.com.au](http://www.sandoncapital.com.au) under the Listed Investment Company/Corporate Governance section.

**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Company particulars**

**Registered Office**

Level 5, 139 Macquarie Street  
Sydney NSW 2000  
Telephone 02 8014 1188

**Stock exchange listing**

Sandon Capital investment Limited shares and options are listed on the Australian Securities Exchange (ASX code: SNC and SNCOA)

**Directors**

Gabriel Radzynski – Chairman  
Peter Velez – Independent Director  
Matthew Kidman – Independent Director

**Notice of Annual General Meeting**

The details of the annual general meeting of Sandon Capital Investments Limited are:

History House Auditorium  
133 Macquarie Street  
Sydney NSW 2000  
2pm on Thursday 23 November 2017

**Company Secretary**

Mark Licciardo and Chris Lobb  
Mertons  
Level 7, 330 Collins Street  
Melbourne, Victoria 3000

**Auditor**

Pitcher Partners  
Level 22, MLC Centre  
19 Martin Place  
Sydney NSW 2000

**Share Register**

Link Market Services Limited  
Level 12, 680 George Street, Sydney, NSW 2000  
Telephone 1300 554 474  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Tax Advisors**

BDO Australia  
Level 11, 1 Margaret Street  
Sydney NSW 2000