

Sandon Capital Investments Limited
ABN 31 107 772 467

Annual Report
30 June 2015

Sandon Capital Investments Limited
ABN 31 107 772 467

Annual Financial Report - 30 June 2015

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Sandon Capital Investments Limited
ABN 31 107 772 467

Portfolio Composition
As at 30 June 2015

| <i>Australian Securities Exchange Listed Positions</i> | Total Value |
|--|--------------------|
| | \$ |
| Name | |
| Acorn Capital Investment Fund Limited | 1,624,666 |
| Acorn Capital Investment Fund Limited Options | 500 |
| Alchemia Ltd | 996,656 |
| AMP China Growth Fund | 1,448,992 |
| Antares Energy Limited | 151,372 |
| Ardent Leisure Group Limited | 893,606 |
| Armidale Investments Corporation Limited | 3,378,348 |
| Bentham IMF Limited Bonds | 1,293,188 |
| Bluescope Steel Limited | 1,465,944 |
| Centrepont Alliance Limited | 2,216,379 |
| Chesser Resources Limited | 1,111,876 |
| Clarius Group Limited | 1,749,570 |
| Coventry Group Limited | 1,841,127 |
| CVC Limited | 24,746 |
| Global Masters Fund Limited | 190,202 |
| Graincorp Limited | 752,135 |
| Ingenia Communities Group | 354,700 |
| Intrepid Mines Limited | 16,118 |
| Onthehouse Holdings Limited | 1,704,699 |
| RNY Property Trust | 1,567,908 |
| Sunland Group Limited | 281,484 |
| Tatts Group Limited | 1,048,668 |
| Templeton Global Growth Fund Limited | 786,878 |
| Timpetra Resources Limited | 65,146 |
| Warrnambool Cheese and Butter Factory Company Holdings Limited | 2,258,477 |
| Total | 27,223,385 |
| Australian Unlisted Investment Positions | |
| Foundation Life (NZ) Limited | 207,641 |
| Total | 27,431,026 |

Sandon Capital Investments Limited
ABN 31 107 772 467
For the year ended 30 June 2015

Chairman's Letter

Dear Fellow Shareholders,

The Directors of Sandon Capital Investments Limited (ASX: SNC) ("SNC" or the "Company") are pleased to present the Company's full year results and Annual Report for the year ended 30 June 2015.

Financial highlights

The Company reported total revenue of \$997,011 (2014: \$1,344,836) and a net profit of \$521,188 (2014: \$299,108) for the financial year ended 30 June 2015, a 74.2% increase over the prior comparative period.

Dividend Announcement – fully franked dividends totalling 3.0 cents per share

On 25 August 2015 the Directors announced that the Company would pay fully franked dividends of 3.0 cents per share, comprising a fully franked final dividend of 2.0 cents per share and a fully franked special dividend of 1.0 cent per share. The board has decided that the dividend reinvestment plan will not apply to these dividends.

The key dates for the final and special dividends are:

Final and Special Dividend Dates

| | |
|-------------------|-----------------|
| Announcement date | 25 August 2015 |
| Ex-date | 21 October 2015 |
| Record date | 23 October 2015 |
| Payment date | 30 October 2015 |

Investment performance

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

SNC at its core is a value investor, where we seek to purchase investments (a) at prices below our assessment of their intrinsic value, (b) where we have the opportunity to influence change within the company to realise the value and (c) where the intrinsic value is ideally independent of or somewhat shielded from market conditions.

The general market conditions during the 2015 financial year were volatile, reaching post-GFC highs in May and then the Small Ordinaries Accumulation Index declining 8.1% by financial year end. The ASX Small Ordinaries Accumulation Index, which is representative of the size of companies in which SNC generally invests, delivered a 0.4% total return for the year to 30 June 2015. We are pleased that SNC delivered an after-tax NTA increase of 2.0% for the same period (inclusive of 4.0 cents per share of fully franked dividends paid during the financial year).

Since 30 June 2015, the ASX Small Ordinaries Accumulation Index has fallen a further 4.0% whereas SNC's NTA has remained largely flat over the same period.

Falling and volatile financial markets present both challenges and, most importantly, opportunities for SNC:

- The challenges arise from the effects on the falling market prices of our existing investments. However, as illustrated above, SNC's portfolio of investments tends to be less volatile than the broader share market. When managing the portfolio, we do not focus on the short term price movements of individual investments (except as these present buying opportunities), but rather we focus on identifying medium or longer term factors that might affect our assessment of the company's value.

A significant advantage of the LIC structure is the 'closed-end' nature of SNC investment portfolio. This ensures that we do not have to sell good investments to fund redemptions, which is typically what happens in open-ended funds.

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Chairman's Letter (continued)

Investment performance (continued)

- Opportunity can arise for us, when 'open-ended' fund managers irrationally (from an investment perspective) have to sell good investments to fund their redemptions. When the prices of investments are falling we are able to acquire both new investments and add to our existing holdings at prices we consider attractive.

Applying our disciplined approach to investing in the opportunities available will continue to outweigh the short term challenges caused by falling investment prices, and we believe this will continue to augur well for sound investment performance for the portfolio over the medium term.

2015 was a busy year for our activist strategy. SNC participated in a number of activist engagements, including public ones in:

| Company | Investment Thesis | Engagement Strategy |
|-------------------------|---|---|
| Alchemia Ltd | Discount to cash plus present value of IP royalties. | We perceived the need for board change to facilitate a realisation of value. Board renewal occurred and our nominee was appointed chairman. The company has announced the sale of its main intellectual asset at a price we believe is attractive. If approved by shareholders, the deal will leave the company with cash representing almost twice our purchase price. |
| BlueScope Steel Ltd | Share price discount to value – the "cheapest steel company in the world" | We published a report analysing five issues we believe the company needed to address. We used the report to engage with other shareholders and stakeholders. The company has since announced plans regarding its Port Kembla Blast Furnace that address one of the issues we raised. |
| Coventry Group Ltd | Share price discount to net tangible asset value. | We ran a campaign aimed at removing the then executive chairman, who we considered a roadblock to meaningful restructure of the capital structure and operations of the business. The chairman retired ahead of plan, and the new chairman and managing director have instituted a large number of improvements in the business, all of which we believe have enhanced value. |
| Chesser Resources Ltd | Share price discount to cash | We prompted the resignation of most of the incumbent directors and worked with the new directors to institute an equal access share buy-back. This buy-back is currently under way. They have effectively paid 2.5 cents per share for 3.56 cents per share of cash. |
| Onthehouse Holdings Ltd | Share price discount to value | We believed the company was in need of management and board changes to better seize the opportunities facing the business. Sandon Capital and two other shareholders formed an association that led to a substantial overhaul of the board. The association has since been dissolved and we have resigned from the board. The company now has a clearer strategy and pathways to creating and delivering shareholder value. |

Sandon Capital Investments Limited
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For the year ended 30 June 2015

Chairman's Letter (continued)

Financial year 2016 has begun promisingly, with a number of existing investments delivering good results as well as having made some new investments, bought at attractive prices.

On behalf of my fellow Directors, I would like to thank our fellow shareholders for their continued support throughout 2015, and we look forward to reporting to you on our progress in 2016.

Yours sincerely,



Gabriel Radzynski
Chairman

Sandon Capital Investments Limited

ABN 31 107 772 467

Directors' Report

For the year ended 30 June 2015

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 2015.

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

Directors

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

Gabriel Radzynski – Chairman

Paul Jensen – Independent Director

Matthew Kidman – Independent Director

Company secretary

Mark Licciardo was the Company Secretary during the year and up to the date of this report.

Principal activities

The Company invests in cash, term deposits, unlisted, listed securities and debt instruments. As at 30 June 2015 approximately 80% of the portfolio was invested in listed securities, with the remainder in unlisted securities, cash and term deposits.

The Company seeks out investment opportunities with high levels of tangible assets, marketable securities or cash, whose values are somewhat independent of market and economic conditions and which the Manager considers have good prospects for change. It also seeks, from time to time, to take advantage of other opportunities where the Manager considers there are reasonable projects for a satisfactory return.

Operating Results

The Company reported a net profit after tax for the year of \$521,188 (2014: \$299,108).

During the year the Net Tangible Assets (after tax) decreased from \$1.0049 at 31 December 2014 to \$0.9626 at 30 June 2015.

The decrease in NTA is due to the payment of 4 cents fully franked dividends during the financial year and the decrease in the market value of the Company's investments in listed securities.

Review of operations

Net loss before tax of \$4,650 (2014: Profit of \$342,602) is mainly due to a fall in the market value of investments at 30 June 2015.

During the current financial year, the Company invested in listed and unlisted securities which is reflected in the reduction of cash from \$15.95m last year to \$6.68m at year end and an increase in financial assets from \$19.78m last year to \$27.43m at year end.

The financial statements of the Company for the year were prepared on a 'fair value measurement' basis for accounting purposes (unless otherwise stated) which is the same basis that the Company has consistently applied for all reporting periods presented to date.

Dividends

A fully franked interim dividend of 2 cents per share was paid in June 2015, and a fully franked special dividend of 2 cents per share was paid in November 2014.

Events occurring after the reporting period

The Board has declared fully franked dividends of 3.0 cents per share (comprising of a fully franked final dividend of 2.0 cents per share and a fully franked special dividend of 1.0 cent per share), payable on 30 October 2015.

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.

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Directors' Report
For the year ended 30 June 2015

Directors' Report (continued)

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. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies. Gabriel also holds directorships in Chesser Resources Ltd, ASK Funding Ltd, Future Generation Investment Fund Limited and Mercantile Investment Company Limited.

Matthew Kidman LLB, BEC, GradDip App Fin (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 financial planning group, Centrepont Alliance 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 13 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.

Paul Jensen B.Com, FAICD (Non-Executive director)

Experience and special responsibilities

Paul Jensen is a Director of Future Generation Investment Company Limited, WAM Capital Limited and also holds a number of private company directorships. Paul is also the Chairman of the Lilla Foundation. Paul is a Fellow of the Australian Institute of Company Directors and holds a Bachelor degree in Accounting and Commercial Law. He has over 25 years of international experience in finance, investment management and banking, with specific expertise in strategy formation, governance and financial performance. He has held senior executive positions in New Zealand, United Kingdom and Australia with the Lloyds TSB Banking group, Lend Lease (MLC), Travelex Ltd, Clime Investment Management and HFA Holdings Ltd.

Paul Jensen has been a Director of Sandon Capital Investments Limited since November 2013.

Company Secretary

Mark Licciardo B Bus(Acc), GradDip CSP, FGIA, FCIS, GAICD (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, Mr Licciardo was Company Secretary of the Transurban Group (2004-07) and Australian Foundation Investment Company Limited (1997-04). Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria, former Chairman of the Melbourne Fringe Festival, a fellow of GIA, a graduate member of the Australian Institute of Company Directors (AICD) and a Director of several public and private companies.

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2015

Information on directors (continued)

| | Directors' Meeting | | Audit & Risk Committee Meetings | |
|----------------------------|---------------------------|-----------------|--|-----------------|
| | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| Gabriel Radzyninski | 3 | 3 | 2* | 2* |
| Matthew Kidman | 3 | 3 | 2 | 2 |
| Paul Jensen | 3 | 3 | 2 | 2 |
| Total Meetings Held | 3 | 3 | 2 | 2 |

* In attendance ex-officio

Remuneration report (Audited)

This report details the nature and amount of remuneration for each Director of Sandon Capital Investments Limited. The current employees of the Company are three Non-Executive Directors. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

Nature and amounts of remuneration

Pursuant to the prospectus, dated 11 November 2013, the maximum total remuneration of the Directors has been set at \$300,000 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. The directors do not currently intend to pay remuneration above \$85,000. The Board will seek shareholder approval should it wish to increase this amount. Additional remuneration may be paid in accordance with the Company's Constitution.

The Directors do not receive any other benefits or remuneration, other than Directors' fees and statutory superannuation other than as disclosed in Note 16, remuneration of the directors is not linked to the performance of the Company.

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. Further details are contained in Note 18.

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:

| | Short Term Employee Benefits Cash salary and fees | Post Employment Benefits Superannuation | Total |
|---------------------|--|--|---------------|
| | \$ | \$ | \$ |
| 30 June 2015 | | | |
| Gabriel Radzyninski | 9,132 | 868 | 10,000 |
| Matthew Kidman | 22,831 | 2,169 | 25,000 |
| Paul Jensen* | 25,000 | - | 25,000 |
| | 56,963 | 3,037 | 60,000 |
| 30 June 2014 | | | |
| Gabriel Radzyninski | 6,865 | 635 | 7,500 |
| Matthew Kidman | 17,162 | 1,588 | 18,750 |
| Paul Jensen* | 18,750 | - | 18,750 |
| | 42,777 | 2,223 | 45,000 |

*Amounts paid to Paul Jensen excludes GST invoiced to the Company.

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2015

Directors' Report (continued)

Remuneration report (Audited) (continued)

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.

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

| | Balance 1 July 2014 | Net Acquisition/ (Disposal) | Balance 30 June 2015 |
|-------------------|------------------------|-----------------------------------|-------------------------|
| 2015 | | | |
| Shares | | | |
| Gabriel Radzynski | 202,995 | 126,943 | 329,938 |
| Paul Jensen | 150,000 | 71,987 | 221,987 |
| Matthew Kidman | 100,000 | 2,222 | 102,222 |

End of remuneration report.

Indemnification and insurance of officers and auditors

During the financial year the entity paid a premium in respect of a contract insuring the Directors of the entity, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the entity.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

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.

Fees paid to the Manager

Fees paid to the Manager out of Company property during the year are disclosed in Note 18 of the financial statements.

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2015

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 September 2015

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Sydney NSW 2000

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Sydney, NSW 2001

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Auditor's Independence Declaration to the Directors of Sandon Capital Investments Limited

As lead auditor for the audit of Sandon Capital Investments Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sandon Capital Investments Limited during the period.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, 29 September 2015

Sandon Capital Investments Limited
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Statement of Comprehensive Income
For the year ended 30 June 2015

| | Note | 30 June 2015 | 30 June 2014 |
|--|-------------|---------------------|---------------------|
| | | \$ | \$ |
| Net realised and unrealised (losses)/gains on financial assets | | (862,460) | 663,595 |
| Other revenue from operating activities | 3 | 1,859,471 | 681,241 |
| Total Revenue | | 997,011 | 1,344,836 |
| Management fees | 18 | (450,017) | (238,292) |
| Directors' fees | 18 | (62,500) | (46,875) |
| Company secretarial fees | | (40,270) | (45,330) |
| Brokerage expense | | (90,162) | (66,320) |
| Custody fees | | (28,616) | (2,050) |
| ASX listing and chess fees | | (46,670) | (36,317) |
| Share registry fees | | (65,691) | (58,928) |
| Accounting fees | | (50,366) | (3,942) |
| Audit fees | 5 | (39,416) | (64,460) |
| Taxation fees | | (71,982) | (48,554) |
| Restructure costs | | - | (286,000) |
| Legal fees | | (11,156) | (58,358) |
| Professional and consultancy fees | | - | (16,500) |
| Other operating expenses | | (44,815) | (30,308) |
| Total expenses | | (1,001,661) | (1,002,234) |
| (Loss)/profit before income tax | | (4,650) | 342,602 |
| Income tax benefit/(expense) | 4 | 525,838 | (43,494) |
| Profit attributable to members of the Company | | 521,188 | 299,108 |
| Other comprehensive income | | | |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 521,188 | 299,108 |
| Basic Earnings per share (cents per share) | 7 | 1.48 | 1.59 |
| Diluted Earnings per share (cents per share) | 7 | 1.48 | 1.59 |

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited

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Statement of Financial Position

As at 30 June 2015

| | Notes | 30 June 2015 \$ | 30 June 2014 \$ |
|-----------------------------|-------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 8 | 6,680,152 | 15,948,866 |
| Trade and other receivables | 9 | 246,262 | 157,035 |
| Prepayments | | 15,613 | 16,387 |
| Financial assets | 10 | 27,431,026 | 19,781,218 |
| Deferred tax assets | 11 | 1,326,450 | 258,477 |
| Total assets | | 35,699,503 | 36,161,983 |
| Liabilities | | | |
| Trade and other payables | 13 | 133,395 | 1,405,758 |
| Deferred tax liabilities | 12 | 726,714 | 183,951 |
| Total liabilities | | 860,109 | 1,589,709 |
| Net assets | | 34,839,394 | 34,572,274 |
| Equity | | | |
| Issued capital | 14 | 35,443,889 | 34,273,166 |
| Profits reserve | 15 | 467,011 | 299,108 |
| Accumulated losses | 16 | (1,071,506) | - |
| Total equity | | 34,839,394 | 34,572,274 |

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Changes in Equity
As at 30 June 2015

| | Note | Issued Capital | Retained profits/ accumulated losses | Profit Reserve | Total Equity |
|---|-------------|-----------------------|---|-----------------------|---------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 1 July 2013 | | 27,732,198 | (27,732,198) | - | - |
| Profit for the year attributable to the owners of the Company | | - | 299,108 | - | 299,108 |
| Transfer to retained earnings | | (27,732,198) | 27,732,198 | - | - |
| Shares issued net of capital raising costs | | 34,273,166 | - | - | 34,273,166 |
| Transfer to profit reserve | | - | (299,108) | 299,108 | - |
| Balance at 30 June 2014 | 14 | 34,273,166 | - | 299,108 | 34,572,274 |
| Profit for the year attributable to the owners of the Company | | - | 521,188 | - | 521,188 |
| Transfer to profit reserve | 15 | - | (1,592,694) | 1,592,694 | - |
| Shares issued via DRP | | 89,367 | - | - | 89,367 |
| Shares issued via exercise of options | | 1,081,356 | - | - | 1,081,356 |
| Dividends provided or paid | 6 | - | - | (1,424,791) | (1,424,791) |
| Balance at 30 June 2015 | 14 | 35,443,889 | (1,071,506) | 467,011 | 34,839,394 |

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Cash Flows
For the year ended 30 June 2015

| | Notes | 30 June 2015 \$ | 30 June 2014 \$ |
|---|-------|-------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of investments | | 21,399,556 | 4,711,339 |
| Payments for investments | | (32,342,701) | (22,519,252) |
| Dividends received | | 2,475,310 | 183,923 |
| Interest received | | 430,660 | 385,484 |
| Other income received | | 31,455 | 61,111 |
| Management fees (GST inclusive) | | (496,375) | (215,180) |
| Brokerage expense (GST inclusive) | | (98,958) | (71,173) |
| Payment of other operating expenses | | (413,593) | (742,532) |
| Net cash used in operating activities | 19 | <u>(9,014,646)</u> | <u>(18,206,280)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of new shares - options exercised | | 1,081,356 | 34,155,146 |
| Dividends paid net of re-investment | | <u>(1,335,424)</u> | - |
| Net cash (used in)/provided by financing activities | | <u>(254,068)</u> | <u>34,155,146</u> |
| Net (decrease)/increase in cash and cash equivalents | | (9,268,714) | 15,948,866 |
| Cash and cash equivalents at the beginning of the year | | 15,948,866 | - |
| Cash and cash equivalents at end of the year | 8 | <u><u>6,680,152</u></u> | <u><u>15,948,866</u></u> |

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited

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Notes to the Financial Statements

For the year ended 30 June 2015

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 September 2015. The Directors of the Company have the power to amend and reissue the financial statements.

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 sell 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.

Valuation techniques are applied to determine the fair value for unlisted securities, including recent arm's length transactions and reference to similar instruments.

Transaction costs related to financial instruments are expensed in the Statement of Comprehensive Income immediately.

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 for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise.

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.

Sandon Capital Investments Limited

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Notes to the Financial Statements

For the year ended 30 June 2015

2. Statement of Significant Accounting Policies (continued)

b) Cash and cash equivalents

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

c) Revenue and Other Income

Interest income is recognised in the statement of comprehensive income 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

Trade and other receivables are non-derivative financial assets and are recognised at cost, less any provision for impairment.

Sale of securities that are unsettled at reporting date are normally settled within three business days of the trade date.

e) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are stated at 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 comprehensive income 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.

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 Comprehensive Income 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 is 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 is 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.

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Notes to the Financial Statements

For the year ended 30 June 2015

2. Statement of Significant Accounting Policies (continued)

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 2015. 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.

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.

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 liabilities continues to be measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. 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) Impairment of assets

At each reporting date, the Company reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

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Notes to the Financial Statements

For the year ended 30 June 2015

| | 30 June 2015 | 30 June 2014 |
|-------------------------|---------------------|---------------------|
| | \$ | \$ |
| 3. Other revenue | | |
| Dividend income | 1,405,580 | 183,923 |
| Trust distributions | 47,198 | 32,101 |
| Interest income | 378,110 | 436,207 |
| Other income | 28,583 | 29,010 |
| | <u>1,859,471</u> | <u>681,241</u> |

4. Income tax

Deferred income tax (benefit)/expense comprises:

| | | |
|--------------------------------------|------------------|---------------|
| (Increase) in deferred tax assets | (1,068,601) | (140,457) |
| Increase in deferred tax liabilities | 542,763 | 183,951 |
| | <u>(525,838)</u> | <u>43,494</u> |

Current income tax benefit

| | | |
|--|------------------|---------------|
| (Loss)/profit from continuing operations before income tax expense | (4,650) | 342,602 |
| Prima facie tax expense on (loss)/profit from ordinary activities at 30% | (1,395) | 102,781 |
| Imputation credit gross up | 167,554 | 25,408 |
| Franking credit offset | (558,513) | (84,695) |
| Other deductible items | 5,381 | - |
| Underprovision in prior year | (138,865) | - |
| | <u>(525,838)</u> | <u>43,494</u> |

5. Remuneration of auditors

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

Moore Stephens Assurance services

| | | |
|---|---------------|---------------|
| Agreed fees for audit and review of financial reports | 39,416 | 31,370 |
| Other assurance services | - | 33,090 |
| | <u>39,416</u> | <u>64,460</u> |

6. Dividends

a) Dividends paid during the year

| | | |
|--|------------------|----------|
| Special fully franked dividend of 2.0 cents per share paid on 6 November 2014 | 700,789 | - |
| Interim fully franked dividend of 2.0 cents per share for the year ended 30 June 2015 paid on 12 June 2015 | 724,002 | - |
| | <u>1,424,791</u> | <u>-</u> |

b) Dividends not recognised at year end

In addition to the above dividends, since the end of the year, the Directors have declared 3 cents per share fully franked dividend, consisting of a fully franked final dividend of 2.0 cents per share and a special dividend of 1.0 cent per share, which has not been recognised as a liability at the end of the financial year:

| | | |
|---|------------------|----------------|
| Final fully franked dividend (@ 30%) for 2015 of 2 cents | 724,201 | - |
| Special fully franked dividend (@ 30%) for 2015 of 1 cent | 362,100 | 700,589 |
| | <u>1,086,301</u> | <u>700,589</u> |

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Notes to the Financial Statements

For the year ended 30 June 2015

6. Dividends (Continued)

| | 30 June 2015 | 30 June 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| (c) Dividend franking account | | |
| Balance at the beginning of the year | 3,424,888 | 3,340,193 |
| Franking credits on dividends received | 558,512 | 84,695 |
| Franked dividends paid | (610,624) | - |
| Balance available for subsequent reporting periods | 3,372,776 | 3,424,888 |
| Franked dividend declared but not recognised as liability at 30 June 2015 | (465,558) | - |
| Balance available for subsequent reporting periods | 2,907,218 | 3,424,888 |

7. Earnings per share

| | | |
|--|------------|------------|
| Profit after income tax used in the calculation of basic and diluted earnings per share | 521,188 | 299,108 |
| Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS | 35,188,480 | 18,819,821 |

8. Cash and cash equivalents

| | | |
|---------------|-----------|------------|
| Cash at bank | 1,178,303 | 1,948,866 |
| Term Deposits | 5,501,849 | 14,000,000 |
| | 6,680,152 | 15,948,866 |

9. Trade and other receivables

| | | |
|---|---------|---------|
| Outstanding settlements | 188,440 | 93,595 |
| Interest receivable | 6,104 | 50,724 |
| Dividend and withholding tax receivable | 45,930 | - |
| GST receivable | 4,010 | 3,008 |
| Other receivable | 1,778 | 9,708 |
| | 246,262 | 157,035 |

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

10. Financial assets

Financial assets held-for-trading comprise of:

| | | |
|----------------------|------------|------------|
| Listed investments | 27,223,385 | 19,131,218 |
| Unlisted investments | 207,641 | 650,000 |
| | 27,431,026 | 19,781,218 |

11. Deferred tax asset

| | Opening Balance 1 July 2014 | Under/(Over) Provision | Charged to Profit or Loss | Closing Balance 30 June 2015 |
|---------------------------|--|-----------------------------------|--------------------------------------|---|
| | \$ | \$ | \$ | \$ |
| Accrued expense movements | 4,785 | - | 6,030 | 10,815 |
| Tax losses recognised | 159,270 | 106,652 | 833,718 | 1,099,640 |
| Capitalised costs | 94,422 | 189,569 | (67,996) | 215,995 |
| Balance as at 2015 | 258,477 | 296,221 | 771,752 | 1,326,450 |

12. Deferred tax liability

| | Opening Balance 1 July 2014 | Under/(Over) Provision | Charged to Profit or Loss | Closing Balance 30 June 2015 |
|---------------------------|--|-----------------------------------|--------------------------------------|---|
| | \$ | \$ | \$ | \$ |
| Accrued income movements | 15,217 | - | (6,591) | 8,626 |
| Fair value adjustments | 168,734 | 157,356 | 391,998 | 718,088 |
| Balance as at 2015 | 183,951 | 157,356 | 385,407 | 726,714 |

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For the year ended 30 June 2015

| | 30 June 2015 | 30 June 2014 |
|-------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| 13. Trade and Other Payables | | |
| Management fee payable | 38,313 | 40,548 |
| Outstanding settlements | 42,141 | 1,309,710 |
| GST payable | 1,437 | 3,175 |
| Other payables | 51,504 | 52,325 |
| Total trade and other payables | <u>133,395</u> | <u>1,405,758</u> |

Outstanding settlements are unsettled purchases with brokers which are settled within three business days.

14. Contributed equity and movements in total equity

| | 30 June 2015 | 30 June 2015 | 30 June 2014 | 30 June 2014 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | \$ | No | \$ | No |
| Share capital | | | | |
| Ordinary shares | | | | |
| Fully paid | 35,443,889 | 36,210,048 | 34,273,166 | 35,029,468 |
| | <u>35,443,889</u> | <u>36,210,048</u> | <u>34,273,166</u> | <u>35,029,468</u> |
| Movements in shares on issue: | | | | |
| Opening balance | 34,273,166 | 35,029,468 | 27,732,198 | 181,898,994 |
| Transfer to retained earnings | - | - | (27,732,198) | - |
| Share Consolidation | - | - | - | (181,878,526) |
| Shares issued - dividend reinvested | - | 99,224 | - | - |
| Shares issued - options exercised | 1,170,723 | 1,081,356 | 34,273,166 | 35,009,000 |
| Closing balance | <u>35,443,889</u> | <u>36,210,048</u> | <u>34,273,166</u> | <u>35,029,468</u> |

On 6 November 2014, 99,224 fully paid shares were allotted at \$0.90 each as part of the dividend reinvestment plan.

For the year ended 30 June 2015 1,081,356 options were exercised at \$1.00 per share.

All remaining options expired on 24 July 2015.

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.

(d) Capital management

The Company's objective in managing capital is to provide shareholders with capital growth over the medium to long term, balanced with the distribution of income received by the Company through the payment of fully franked dividends to its shareholders.

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company employs its capital including share capital and unexercised options. At the core of this, the Company is of the belief that shareholder value is best preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. 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.

| | 30 June 2015 | 30 June 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| 15. Profits reserve | | |
| Movement in profit reserve | | |
| Balance as at beginning of the period | 299,108 | - |
| Transfer from retained earnings | 1,592,694 | 299,108 |
| Special fully franked dividend paid during the year | (700,789) | - |
| Interim fully franked dividend paid during the year | <u>(724,002)</u> | <u>-</u> |
| | <u>467,011</u> | <u>299,108</u> |

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| | 30 June 2015 | 30 June 2014 |
|---------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| 16. Accumulated losses | | |
| Balance as at beginning of the period | - | - |
| Profit for the year | 521,188 | - |
| Transfer to profit reserve | (1,592,694) | - |
| | <u>(1,071,506)</u> | <u>-</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 credit risk, liquidity risk and market risk consisting of interest rate risk and other price 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.

| | 30 June 2015 | 30 June 2014 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | 6,680,152 | 15,948,866 |
| Trade and other receivables | 246,262 | 157,035 |
| Prepayments | 15,613 | 16,387 |
| Financial assets at fair value through profit or loss: | | |
| Listed investments | 27,223,385 | 19,131,218 |
| Unlisted investments | 207,641 | 650,000 |
| | <u>34,373,053</u> | <u>35,903,506</u> |
| Financial liabilities | | |
| Trade and other payables | 133,395 | 1,405,758 |
| | <u>133,395</u> | <u>1,405,758</u> |

(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 2015, the Company has investments that are not listed on the Australian Securities Exchange but have a recent subscription price in which has been used as a determinate of fair value. The Level 2 investments are therefore measured at their fair value but represent investments in an inactive market. In valuing unlisted investments, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers.

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2015.

| 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|----------------|----------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets held for trading: | | | | |
| Listed investments | 27,223,385 | - | - | 27,223,385 |
| Unlisted investments | - | 207,641 | - | 207,641 |
| | <u>27,223,385</u> | <u>207,641</u> | <u>-</u> | <u>27,431,026</u> |

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

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Notes to the Financial Statements

For the year ended 30 June 2015

17. Financial risk management (continued)

(a) Fair value hierarchy (continued)

| 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|----------------|----------|-------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets held for trading: | | | | |
| Listed investments | 19,131,218 | - | - | 19,131,218 |
| Unlisted investments | - | 650,000 | - | 650,000 |
| | <u>19,131,218</u> | <u>650,000</u> | <u>-</u> | <u>19,781,218</u> |

(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, invested in accordance with the investment objectives and restrictions as set out in the Investment Management Agreement. The investment objectives, restrictions and associated risks are managed by the Manager through its investment selection and portfolio construction process. Examples of investment restrictions included that the Company would not use short selling except in limited circumstances and only for hedging purposes. Gearing is not permitted to exceed more than 50% of the portfolio.

The Company used different methods to monitor and measure different types of risk to which it was exposed.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value or future cashflows of the Company's financial instruments.

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

(i) Price risk

The Company is exposed to share price risk through its investment holdings on the Australian Stock Exchange. All equity investments (other than unlisted investments) are publicly traded on Australian Stock Exchange (ASX) and holdings are predominantly in small capitalisation companies with varying degrees of liquidity.

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 majority of the Company's investments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

The Manager mitigated this price risk through diversification in terms of selection of securities in accordance with 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:

| | 30 June 2015 | 30 June 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Financial assets-held for trading | | |
| Listed investments | 27,223,385 | 19,131,218 |
| Unlisted investments | 207,641 | 650,000 |
| | <u>27,431,026</u> | <u>19,781,218</u> |

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Notes to the Financial Statements

For the year ended 30 June 2015

17. Financial risk management (continued)

(i) Price risk (continued)

Price risk sensitivity analysis

Change in Profit

| | | |
|--------------------------------------|-------------|-----------|
| – Increase in portfolio prices by 5% | 1,371,551 | 989,061 |
| – Decrease in portfolio prices by 5% | (1,371,551) | (989,061) |

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

(ii) Foreign exchange risk

The Company is currently not materially exposed to foreign currency risk as the majority of its investments are quoted in Australian dollars.

(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.

| | 30 June 2015 | 30 June 2014 |
|--------------------------------------|---------------------|---------------------|
| Change in Profit | \$ | \$ |
| – Increase in interest rates by 0.5% | 33,401 | 79,744 |
| – Decrease in interest rates by 0.5% | (33,401) | (79,744) |
| Change in Equity | | |
| – Increase in interest rates by 0.5% | 33,401 | 79,744 |
| – Decrease in interest rates by 0.5% | (33,401) | (79,744) |

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

| | Weighted average effective interest | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
|------------------------------|--|-----------------------------------|--------------------------------|---------------------------------|-------------------|
| | | \$ | \$ | \$ | \$ |
| 2015 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 2.76% | 6,680,152 | 5,501,849 | - | 12,182,001 |
| Investment in bonds | | | 1,293,188 | - | 1,293,188 |
| Trade and other receivables | | - | - | 246,262 | 246,262 |
| Prepayments | | - | - | 15,613 | 15,613 |
| | | <u>6,680,152</u> | <u>6,795,037</u> | <u>261,875</u> | <u>13,737,064</u> |
| Financial liabilities | | | | | |
| Trade and other payables | | - | - | 133,395 | 133,395 |
| | | <u>-</u> | <u>-</u> | <u>133,395</u> | <u>133,395</u> |
| Net exposure | | <u>6,680,152</u> | <u>6,795,037</u> | <u>128,480</u> | <u>13,603,669</u> |

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Notes to the Financial Statements

For the year ended 30 June 2015

17. Financial risk management (continued)

(iii) Interest rate risk (continued)

| | Weighted average effective interest | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
|------------------------------|--|---------------------------|------------------------|-------------------------|------------|
| | | \$ | \$ | \$ | \$ |
| 2014 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 3.08% | 1,948,866 | 14,000,000 | - | 15,948,866 |
| Investment in bonds | | | 1,287,000 | - | 1,287,000 |
| Trade and other receivables | | - | - | 157,035 | 157,035 |
| Prepayments | | - | - | 16,387 | 16,387 |
| Total financial assets | | 1,948,866 | 15,287,000 | 173,422 | 17,409,288 |
| Financial liabilities | | | | | |
| Trade and other payables | | - | - | 1,405,758 | 1,405,758 |
| Total financial liabilities | | - | - | 1,405,758 | 1,405,758 |
| Net exposure | | 1,948,866 | 15,287,000 | (1,232,336) | 16,003,530 |

(d) Credit risk

Credit 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 credit risk on financial assets, excluding investments of the Company which have been recognised in the Statement of Financial Position, 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 they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diversify to minimise any individual counterparty risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled three days after trade date. The Manager engages with counterparties via the Australian Securities Exchange which facilitates the mitigation and management of the Company's credit risk to counterparties such as brokers.

Credit risk is not considered to be a major risk to the Company as the majority of cash and term deposits held by the Company are invested with major Australian financial institutions. Majority of the term deposit maturities are within three months.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

(e) Concentrations of risk

Concentrations of risk arise when a number of financial instruments were entered into with the same counterparty, or where a number of counterparties were 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.

The concentrations of risk were monitored by the Manager to ensure they were within acceptable limits by reducing the exposures 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.

The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed by both the Manager and the Board respectively.

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Notes to the Financial Statements**For the year ended 30 June 2015****17. Financial risk management (continued)****(f) Liquidity risk (continued)**

The Company's cash receipts depend upon the level of sale securities, dividends and interest received and any capital management undertaken by the Company, for example the issue of new shares.

The Manager monitors the Group's cash-flow requirements regularly by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount the Company can alter its cash outflows as appropriate. The Group also holds a portion of its portfolio in cash and term deposits sufficient to ensure that it has cash readily available to meet all payments. Furthermore the assets of the Company are largely in the form of tradable securities which, if liquidity is available, can be sold on market when, and if required.

All the trade payables and financial liabilities are expected to be settled within three months.

18. Key management compensation

(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 |
| Paul Jensen | Non-executive Director |

(b) Aggregate compensation made to Key Management Personnel

| | Short term benefits | Post employment benefits | Total |
|-------------------------|------------------------|-----------------------------|--------|
| | \$ | \$ | \$ |
| Year Ended 30 June 2015 | 56,963 | 3,037 | 60,000 |
| Year Ended 30 June 2014 | 42,777 | 2,223 | 45,000 |

(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 (2014: \$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 2014 | Net Acquisition/ (Disposal) | Balance 30 June 2015 |
|-------------------|------------------------|--------------------------------|-------------------------|
| | \$ | \$ | \$ |
| 2015 | | | |
| Shares | | | |
| Gabriel Radzynski | 202,995 | 126,943 | 329,938 |
| Paul Jensen | 150,000 | 71,987 | 221,987 |
| Matthew Kidman | 100,000 | 2,222 | 102,222 |
| Options | | | |
| Gabriel Radzynski | 200,000 | (112,500) * | 87,500 |
| Paul Jensen | 150,000 | 125,000 | 275,000 |
| Matthew Kidman | 100,000 | - | 100,000 |

* These options were exercised.

Sandon Capital Investments Limited

ABN 31 107 772 467

Notes to the Financial Statements

For the year ended 30 June 2015

18. Key management compensation (continued)

| | Balance 1 July 2013 | Net Acquisition/ (Disposal) | Balance 30 June 2014 |
|-----------------------|--------------------------------|--|---------------------------------|
| | \$ | \$ | \$ |
| 2014 | | | |
| Shares | | | |
| Gabriel Radzynski ^** | 2,995 | 200,000 | 202,995 |
| Paul Jensen ^** | - | 150,000 | 150,000 |
| Matthew Kidman ^** | - | 100,000 | 100,000 |
| John Robinson * | 160,000 | (160,000) | - |
| Lewis Bell * | 1,949,123 | (1,949,123) | - |
| Lynette Gearing * | 2,000 | (2,000) | - |
| Options | | | |
| Gabriel Radzynski ^** | - | 200,000 | 200,000 |
| Paul Jensen ^** | - | 150,000 | 150,000 |
| Matthew Kidman ^** | - | 100,000 | 100,000 |

* Resigned 2 October 2013

^ Appointed 2 October 2013

** Held through direct and indirect interests

(d) Sandon Capital Pty Ltd

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.

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.

In return for the performance of its duties as Manager of the Company, the Manager is also entitled to be paid 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. The Manager has agreed with the Company for the purposes of calculating its performance fee, it will only be entitled to a performance fee when the NTA per share of the Company is equal or greater than \$1 per share.

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

| | 30 June 2015 | 30 June 2014 |
|----------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Management fees (GST inclusive)* | 482,945 | 255,728 |
| Accounting fees (GST inclusive)* | 50,761 | 4,230 |
| | <u>533,706</u> | <u>259,958</u> |

At 30 June 2015, \$38,313 (GST inclusive) remains payable by the Company to Sandon Capital Pty Ltd (2014: \$40,965 GST inclusive).

**The differences between the amount disclosed above and the Statement of Comprehensive Income are the reduced input tax credits claimable.*

Sandon Capital Investments Limited
ABN 31 107 772 467
Notes to the Financial Statements
For the year ended 30 June 2015

18. Key management compensation (continued)

(d) Sandon Capital Pty Ltd (Continued)

Terms and conditions of transactions with related parties

Transactions with related parties are made in accordance with the respective agreements. Outstanding balances at reporting period end are unsecured, interest free and settlement occurs in cash. No guarantees have been provided or received for any related party receivables or payables.

| 19. Cash flow information | 30 June 2015 | 30 June 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| (a) Reconciliation of Cash Flow from operating activities with profit after income tax | | |
| Cash Flow from operations after income tax | 521,188 | 299,108 |
| Net movement in financial assets held for trading | (6,564,282) | (19,663,198) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in receivables | (89,227) | (157,035) |
| (Increase)/decrease in other assets | 774 | (16,387) |
| (Increase)/decrease in deferred tax assets | (1,067,973) | (258,477) |
| (Decrease)/increase in payables | (1,272,363) | 1,405,758 |
| (Decrease)/increase in deferred tax liabilities | (542,763) | 183,951 |
| Net cash used in operating activities | <u>(9,014,646)</u> | <u>(18,206,280)</u> |

20. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 278. Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$98,958 (2014: \$71,173).

21. Events occurring after the reporting period

The Board has declared fully franked dividends of 3.0 cents per share (comprising of a fully franked final dividend of 2.0 cents per share and a fully franked special dividend of 1.0 cent per share), payable on 30 October 2015.

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.

22. Contingencies and commitments

There are no contingent assets or liabilities as at 30 June 2015 (2014: Nil). As at 30 June 2015, the Company had nil commitments (2014: \$250,000).

23. Segment information

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

Sandon Capital Investments Limited
ABN 31 107 772 467
Directors' Declaration
For the year ended 30 June 2015

Directors' Declaration

In accordance with a resolution of the Directors of Sandon Capital Investments Limited,

- (a) the financial statements and notes, as set out on pages 11 to 27 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 2015 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 September 2015

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Sydney NSW 2000

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Sydney, NSW 2001

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**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 2015, the statement of comprehensive income, statement of changes in equity and 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.

Directors' Responsibility for the Financial Report

The directors of the Company 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 about whether the financial report is free from material misstatement.

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 entity's preparation and fair presentation of the financial report 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 entity's internal control. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's 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 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report 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 2015. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Sandon Capital Investments Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, 29 September 2015

Sandon Capital Investments Limited

ABN 31 107 772 467

ASX Additional Information**For the year ended 30 June 2015****ASX Additional Information**

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

Substantial shareholders (as at 1 September 2015)

The following have advised that they are a substantial shareholder of Sandon Capital Investments Limited. 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.

| Substantial ordinary shareholders | No. of shares | % of total |
|--|----------------------|-------------------|
| Victor John Plummer | 2,500,000 | 6.90% |
| Dynasty Peak Pty Limited | 2,001,138 | 5.53% |

Distribution of shareholders (as at 1 September 2015)

| Category | No. of shareholders |
|------------------|----------------------------|
| 1 – 1,000 | 185 |
| 1,001 – 5,000 | 142 |
| 5,001 – 10,000 | 170 |
| 10,001 – 100,000 | 598 |
| 100,001 and over | 48 |
| | 1,143 |

The number of shareholdings held in less than marketable parcels is 4,744.

Twenty largest shareholders - Ordinary shares (as at 1 September 2015)

| | Number of ordinary shares held | Percentage of issued capital held |
|--|---------------------------------------|--|
| Victor John Pummer | 2,500,000 | 6.90% |
| Dynasty Peak Pty Ltd | 2,001,138 | 5.53% |
| HSBC Custody Nominees (Australia) Ltd | 1,103,834 | 3.05% |
| UBS Wealth Management Australia Nominees Pty Ltd | 981,151 | 2.71% |
| Donwood Pty Ltd | 766,666 | 2.12% |
| Richjeca Pty Ltd | 500,000 | 1.38% |
| Robyn Robinson Holdings Pty Ltd & Robyn Robinson | 500,000 | 1.38% |
| John Stephen Michael Heathers & Margaret Jean Heathers | 470,000 | 1.30% |
| Manatee Pty Ltd | 460,000 | 1.27% |
| English Family Super Fund Pty Ltd | 451,666 | 1.25% |
| Armas Investments Pty Ltd | 400,000 | 1.10% |
| Australian Executor Trustees Ltd | 355,000 | 0.98% |
| William Bloomfield | 350,000 | 0.97% |
| Robert Nairn Pty Ltd | 334,000 | 0.92% |
| Navigator Australia Ltd | 299,800 | 0.83% |
| Maxwell Tasman Lacey | 269,642 | 0.74% |
| Piaster Pty Ltd | 254,444 | 0.70% |
| Bruce Robertson Catto & Glenys Louise Catto | 250,100 | 0.69% |
| Australian Executor Trustees Ltd (No 1 Account) | 240,100 | 0.66% |
| GNR Holdings Pty Ltd | 200,277 | 0.55% |
| | 12,687,818 | 35.03% |

Stock Exchange Listing

Quotation has been granted for all of the ordinary shares 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 2015

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 under the Listed Investment Company/Corporate Governance section.

Company particulars

Registered Office

Level 11, 139 Macquarie Street
Sydney NSW 2000
Telephone 02 8014 1188

Directors

Gabriel Radzynski – Chairman
Paul Jensen – Independent Director
Matthew Kidman – Independent Director

Company Secretary

Mark Licciardo

Auditor

Moore Stephens Sydney
Level 15, 135 King Street
Sydney NSW 2000

Share Registrar

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Telephone 1300 554 474
www.linkmarketservices.com.au

Tax Advisors

BDO Australia
Level 11, 1 Margaret Street
Sydney NSW 2000