

Glennon Small Companies Limited

ABN 52 605 542 229

Appendix 4D

Half-year report

for the half-year ended 31 December 2017

The final date for receipt of an election notice for participation in the Dividend Reinvestment Plan is 9 March 2018. Shares issued under the DRP will rank equally with existing ordinary shares. The Company reserves the right to issue DRP shortfall shares at Directors' discretion.

Further information

This report is based on the Half Year Financial Report which has been subject to independent review by the auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2017 Annual Financial Report.

Sydney
19 February 2018

Glennon Small Companies Limited

ABN 52 605 542 229

Interim Report for the half-year ended 31 December 2017

Glennon Small Companies Limited ABN 52 605 542 229

Interim Report - for the period ended 31 December 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2017 and any public announcements made by Glennon Small Companies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors

Michael Glennon
Executive Chairman

John Larsen
Independent Non-Executive Director

Garry Crole
Independent Non-Executive Director

Dion Cohen

Secretary

Investment Manager

Glennon Capital Pty Ltd
Level 17, 25 Bligh Street
Sydney NSW 2000
Phone: (02) 8060 9519

Registered office

c/o Glennon Capital Pty Ltd
Level 17, 25 Bligh Street
Sydney NSW 2000
Telephone: (02) 8060 9519
Email: info@glennon.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) refer to www.asx.com.au or call (02) 8262 2800.

Custodian and Administrator

Link Fund Solutions Pty Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: (02) 8280 7100

Share register

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

For enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

Auditors

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

Stock exchange

Australian Securities Exchange (ASX)
The home exchange is Sydney
ASX code: GC1 Ordinary Shares

Website

www.glennon.com.au

Directors' Report

The Directors present their report together with the condensed financial report of Glennon Small Companies Limited ("the Company") for the half-year ended 31 December 2017.

Directors

The following persons held office as Directors during the half-year or since the end of the half-year and up to the date of this report:

Michael Glennon (Executive Chairman)
John Larsen (Independent Non-Executive Director)
Garry Crole (Independent Non-Executive Director)

Principal activities

The principal activity of the Company is making investments in listed companies outside the S&P/ASX 100. No change in this activity took place during the half-year ended 31 December 2017 or is likely to in the future.

Review of operations

The operating profit before tax including realised and unrealised investment movements was \$7,667,000 to 31 December 2017 (2016: \$908,000). The net result after tax was a profit of \$5,672,000 (2016: \$728,000).

The net tangible asset backing before all deferred tax balances as at 31 December 2017 was \$1.1247 per share (2016: \$1.0142).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the half-year ended 31 December 2017.

Rounding of amounts to the nearest thousand dollars

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, unless otherwise indicated.

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 3.

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



Michael Glennon
Executive Chairman

Sydney
19 February 2018

Auditor's Independence Declaration
To the directors of Glennon Small Companies Limited
ABN 52 605 542 229

In relation to the independent auditor's review for the half-year ended 31 December 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 in relation to the review.

This declaration is in respect of Glennon Small Companies Limited during the period.



C I Chandran
Partner

Pitcher Partners
Sydney

19 February 2018

Glennon Small Companies Limited
Condensed Statement of Comprehensive Income
For the half-year ended 31 December 2017

	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Notes		
Investment income from ordinary activities		
Net realised (losses)/gains on investments	(1,148)	1,249
Net unrealised gains on investments	8,243	443
Dividends	1,018	332
Trust distributions	30	-
Interest	54	95
Other income	7	2
	<u>8,204</u>	<u>2,121</u>
Expenses		
Management fees	(249)	(232)
Performance fees	-	(530)
Brokerage expense	(82)	(176)
Accounting fees	(39)	(53)
Share registry fees	(19)	(42)
Custody fees	(13)	(16)
Tax fees	(9)	(5)
Directors' fees	(25)	(25)
ASX fees	(23)	(22)
Audit fees	(39)	(78)
Other expenses	(39)	(34)
	<u>(537)</u>	<u>(1,213)</u>
Profit before income tax	7,667	908
Income tax expense	(1,995)	(180)
Net profit for the half-year	<u>5,672</u>	<u>728</u>
Other comprehensive income for the half-year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year	<u>5,672</u>	<u>728</u>
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	11.96	1.79
Diluted earnings per share	11.96	1.79

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Glennon Small Companies Limited
Condensed Statement of Financial Position
As at 31 December 2017

		At	
		31 December	30 June
		2017	2017
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,479	14,561
Trade and other receivables		60	37
Financial assets at fair value through profit or loss	3	50,796	31,414
Current tax assets		517	344
Other current assets		34	30
Total current assets		52,886	46,386
Non-current assets			
Deferred tax asset		723	270
Total non-current assets		723	270
Total assets		53,609	46,656
LIABILITIES			
Current liabilities			
Trade and other payables		125	220
Total current liabilities		125	220
Non-current liabilities			
Deferred tax liabilities		2,678	232
Total non-current liabilities		2,678	232
Total liabilities		2,803	452
Net assets		50,806	46,204
EQUITY			
Issued capital	6	46,300	45,958
Profits reserve		7,272	3,012
Accumulated losses		(2,766)	(2,766)
Total equity		50,806	46,204

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

Glennon Small Companies Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2017

	Notes	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2016		24,290	1,793	-	26,083
Net profit for the period		-	-	728	728
Transactions with owners in their capacity as owners:					
Contributions of equity	6	21,844			21,844
Dividends provided for or paid	7		(1,400)		(1,400)
Costs of issued capital		(286)			(286)
Transfer to profits reserve (net of tax)			3,088	(3,088)	
		21,558	1,688	(3,088)	20,158
Balance at 31 December 2016		45,848	3,481	(2,360)	46,969
	Notes	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2017		45,958	3,012	(2,766)	46,204
Net profit for the period		-	-	5,672	5,672
Transactions with owners in their capacity as owners:					
Contributions of equity	6	344			344
Dividends provided for or paid	7		(1,412)		(1,412)
Costs of issued capital		(2)			(2)
Transfer to profits reserve (net of tax)			5,672	(5,672)	
		342	4,260	(5,672)	(1,070)
Balance at 31 December 2017		46,300	7,272	(2,766)	50,806

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Glennon Small Companies Limited
Condensed Statement of Cash Flows
For the half-year ended 31 December 2017

	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Cash flows from operating activities		
Proceeds from sale of financial assets held at fair value through profit or loss	19,960	29,700
Purchase of financial assets held at fair value through profit or loss	(32,179)	(37,191)
Dividends received	851	167
Brokerage expenses	(81)	(175)
Interest received	60	79
Underwriting income received	-	2
Other income received	7	-
Income taxes paid	(174)	-
Management fees paid	(244)	(217)
Performance fees paid	-	(565)
Payments for other expenses	(211)	(248)
Net cash outflow from operating activities	(12,011)	(8,448)
Cash flows from financing activities		
Shares issued on options exercised	-	21,563
Share issue transaction costs	(3)	(410)
Dividends paid to Company's shareholders	(1,068)	(1,118)
Net cash (outflow)/inflow from financing activities	(1,071)	20,035
Net (decrease)/increase in cash and cash equivalents	(13,082)	11,587
Cash and cash equivalents at the beginning of the year	14,561	6,197
Cash and cash equivalents at the end of half-year	1,479	17,784

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

Glennon Small Companies Limited (the "Company") is a listed public company domiciled in Australia. The address of Glennon Small Companies Limited's registered office is c/o Glennon Capital Pty Ltd, Level 17, 25 Bligh Street, Sydney, NSW, 2000. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities in Australia.

This half-year ended report is for the reporting half-year from 1 July 2017 to 31 December 2017. The previous corresponding half-year was 1 July 2016 to 31 December 2016.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are set out below. The interim financial statements are for the entity Glennon Small Companies Limited.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the period ended 30 June 2017 and the corresponding half-year, unless otherwise stated.

(a) Basis of preparation

These interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

The Company is a for-profit entity for the purpose of preparing the interim financial statements.

These interim financial statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the period ended 30 June 2017 and any public announcements made by Glennon Small Companies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(i) Adoption of new and revised accounting standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

(b) 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 one thousand dollars, unless otherwise indicated.

3 Fair value measurements

The Company measures and recognises the following financial assets at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

3 Fair value measurements (continued)

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an inactive or unquoted market (level 2 and 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(ii) Recognised fair value measurements

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2017				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	49,664	-	-	49,664
Unlisted equity securities	-	312	-	312
Debt securities	-	820	-	820
Total financial assets	49,664	1,132	-	50,796
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2017				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	30,524	-	-	30,524
Unlisted equity securities	-	70	-	70
Unlisted convertible notes	-	820	-	820
Total financial assets	30,524	890	-	31,414

The unlisted convertible notes and unlisted equity securities included in Level 2 of the hierarchy are investments in convertible notes and equity securities which are not listed on the Australian Securities Exchange. These have been valued at cost which the Board consider to represent fair value.

There were no transfers between levels for recurring fair value measurements during the half-year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

3 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(iii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

4 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities conducted in Australia, deriving revenue from dividend income, interest income and from the sale of its investments.

5 Contingencies and commitments

The Company had no contingent assets and liabilities at 31 December 2017 (30 June 2017: nil).

6 Issued capital

(a) Share capital

	31 December 2017 Shares	31 December 2016 Shares	31 December 2017 \$'000	31 December 2016 \$'000
Ordinary shares	47,459,243	46,951,641	46,300	45,848

(b) Movements in ordinary share capital

	31 December 2017 Shares	31 December 2017 \$'000
Opening balance	47,075,748	45,958
Dividends reinvestment plan issue	383,495	344
Cost of issued capital, net of tax	-	(2)
Balance 31 December 2017	47,459,243	46,300

	31 December 2016 Shares	31 December 2016 \$'000
Opening balance	25,089,385	24,290
Options exercised for \$1.00 per share	9,270,748	9,271
Options exercised for \$1.00 per share via underwriting	6(c) 12,291,488	12,291
Dividends reinvestment plan issue	300,020	282
Cost of issued capital, net of tax	-	(286)
Balance 31 December 2016	46,951,641	45,848

6 Issued capital (continued)

(c) Underwriting

On 16 August 2016, the Company entered into an underwriting agreement with respect to the remaining unexercised options that expired on 18 August 2016. As a result of this underwriting, all unexercised options were exercised under this agreement with 12,291,488 shares issued on 18 August 2016.

7 Dividends

(a) Ordinary shares

	Dividend Rate \$	Total Amount \$'000	Date of Payment	Percentage Franked
Ordinary shares - final 2017	0.0300	\$1,412	06/10/2017	100%
Ordinary shares - interim 2017	0.0100	\$469	04/05/2017	100%
Ordinary shares - final 2016	0.0300	\$1,400	04/10/2016	100%
Ordinary shares - interim 2016	0.0075	\$163	23/03/2016	100%

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since the end of the half-year, the Directors have declared the payment of an interim ordinary dividend of 1 cent per fully paid share, fully franked, with an ex date of 7 March 2018 and a record date of 8 March 2018, to be paid on 23 March 2018, out of the profits reserve at 31 December 2017.

Shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares will be issued at a 3% discount to the issue price for the 10 trading days to the ex-date, being the trading days from 20 February 2018 to 7 March 2018 (inclusive).

8 Events occurring after the reporting period

Other than the dividend declared after half-year end and as disclosed above, no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial periods.

Glennon Small Companies Limited
Directors' Declaration
For the half-year ended 31 December 2017

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Michael Glennon
Executive Chairman

Sydney
19 February 2018

**Independent Auditor's Review Report
to the members of Glennon Small Companies Limited
ABN 52 605 542 229**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Glennon Small Companies Limited ("the company"), which comprises the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Glennon Small Companies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Glennon Small Companies Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



C I Chandran
Partner



Pitcher Partners
Sydney

19 February 2018