

# SANDON CAPITAL

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

## **Appendix 4D – HALF YEAR REPORT** **For the half year ended 31 December 2019**

**Results For Announcement to the Market**  
*All comparisons to the half year ended 31 December 2018*

	\$	Movement Up/(down)	Movement Up/(down) %
Revenue from ordinary activities	10,625,506	Up	1094%
Profit from operating activities before tax attributable to members	7,924,426	Up	567%
Profit from operating activities after tax attributable to members	7,350,921	Up	727%
Total comprehensive income attributable to members	7,350,921	Up	727%
<b>Interim Dividend</b>	<b>Cents per share</b>	<b>Franked amount per share</b>	<b>Tax rate of franking</b>
2020 Interim dividend	3.5	3.5	27.5%
Ex-dividend date			05 May 2020
Record date			06 May 2020
Payment date			28 May 2020

### **Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) will apply to this fully franked dividend. No discount will be offered.

<b>Dividends paid during the period</b>	<b>Cents per share</b>	<b>Franked amount per share</b>	<b>Tax rate for franking</b>
2019 Final dividend paid 12 November 2019	3.5	3.5	27.5%

<b>Net tangible Assets Per Share</b>	<b>31 December 2019 Cents</b>	<b>31 December 2018 Cents</b>
Net tangible assets per share (before tax)	95.63	90.15
Net tangible assets per share (after tax)	94.69	89.82

Dividends of 3.5 cents per share were paid during the half year to 31 December 2019

This report is based on the Half Year Financial Report attached which has been subjected to independent review by the auditors, Pitcher Partners. All documents comprise the information required by Listing Rule 4.2A.  
This information should be read in conjunction with the 30 June 2019 Annual Financial Report.

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

**Interim Financial Report**  
**For the half year ended 31 December 2019**

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

Interim Financial Report  
For the half year ended 31 December 2019

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**Company Particulars**

**Registered Office**

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

**Stock exchange listing**

Sandon Capital Investments Limited shares are listed on the Australian Securities Exchange  
(ASX code: SNC)

**Directors**

Gabriel Radzynski – Chairman  
Peter Velez – Independent Non-Executive Director  
Melinda Snowden – Independent Non-Executive Director  
Sir Ron Brierley – Non-Executive Director (appointed 25 Jun 2019 and resigned 19 December 2019)

**Company Secretary**

Mark Licciardo and Elizabeth McGregor (resigned 10 January 2020)  
Mertons Corporate Service Pty Ltd  
Level 7, 330 Collins Street  
Melbourne VIC 3000

**Auditor**

Pitcher Partners  
Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

**Share Register**

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

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

**Directors' Report to shareholders**  
**For the half year ended 31 December 2019**

The Directors of Sandon Capital Investments Limited ("the Company") present their report together with the interim financial statements of the Company for the half year ended 31 December 2019.

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 half year and up to the date of this report:

Gabriel Radzynski – Chairman

Peter Velez – Independent Non-Executive Director

Melinda Snowden – Independent Non-Executive Director

Sir Ron Brierley – Non-Executive Director (appointed 25 Jun 2019 and resigned 19 December 2019)

**Company secretary**

Mark Licciardo and Elizabeth McGregor (resigned 10 January 2020) were joint Company Secretaries up to the 10<sup>th</sup> of January 2020. From that date to the date of this report Mark Licciardo was Company Secretary.

**Principal activities**

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

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

The Company may invest in cash, term deposits, unlisted and listed securities and debt instruments. During the period, the Company increased its investment portfolio from \$53,520,459 in June 2019 to \$109,386,076 at half year end. The 104% increase is reflective of the Company's successful takeover of Mercantile Investment Company Ltd (**MVT**).

**Operating Results**

The company recorded a net profit before tax of \$7,924,426 (2018 loss: \$1,695,876) which was largely the result of an increase in the market value of investments as at 31 December 2019.

The Company's net profit after tax was \$7,350,921 (2018 loss: \$1,172,765). This result was 727% higher than the prior comparable period.

During the current financial year, the Company increased its cash holdings from \$701,885 in June to \$1,802,845 at half year end. This increase in cash is a reflection of the funding received from its subsidiaries offset partly by the company paying a dividend of 3.5 cents per share.

The return to shareholders for the 6 months period (measured as the change in the Net Tangible Assets/share plus dividends paid and imputation credits) was 11.43%.

During the period, the Company successfully completed its takeover offer for MVT. MVT is now a wholly owned subsidiary of the Company. A total of 46,523,233 new SNC shares were issued as consideration to MVT shareholders. A further 601,457 new SNC shares were issued as part consideration for the acquisition of unlisted options over unissued MVT shares. All new SNC shares were issued at a price 95.06 cents per share, which was a slight premium to the post-merger pre-tax NTA of 94.80 cents per share (as at 13 September 2019). As at 31 December 2019 there were 106,771,031 SNC shares on issue.

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

**Directors' Report to shareholders**  
**For the half year ended 31 December 2019**

**Director's Report (continued)**

**Dividends**

Subsequent to 31 December 2019, the Board has determined to pay an interim fully franked dividend of 3.5 cents per share. This dividend will be paid to shareholders on 28 May 2020. The Dividend Reinvestment Plan (DRP) will apply to this dividend. There will be no discount.

A fully franked final dividend of 3.5 cents per share for the financial year ending 30 June 2019 was paid on 12 November 2019. The DRP applied to this dividend and the total number of shares allotted was 386,940 shares. The total dividend paid to shareholders during the 6-month period was \$3,723,452.

**Rounding of amounts to the nearest dollar**

In accordance with the *ASIC (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 dollar (where indicated).

**Events occurring after the reporting period**

The Board has determined to pay an interim fully franked dividend of 3.5 cents per share, payable on 28 May 2020. The DRP will apply to this dividend. There will be no discount.

On the 19<sup>th</sup> November 2019 the Company announced details of a Buy Back Offer to holders of less than marketable parcels of SNC shares. Following completion of the Buy Back, the Company cancelled 112,905 SNC shares in January 2020.

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.

**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 4.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors,



Gabriel Radzynski  
Chairman

Sydney  
27 February 2020

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

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**Auditor's Independence Declaration  
To the Directors of Sandon Capital Investments Limited  
ABN 31 107 772 467**

In relation to the independent auditor's review for the half year ended 31 December 2019, I declare 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 Sandon Capital Investments Limited during the period.



**S S WALLACE**  
Partner

**PITCHER PARTNERS**  
Sydney

27 February 2020

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

**Statement of Profit or Loss and Other Comprehensive Income**  
For the half year ended 31 December 2019

	Notes	December 2019 \$	December 2018 \$
Net realised and unrealised gains on financial assets		10,375,038	(1,301,469)
Other revenue from operating activities	2	250,468	232,944
<b>Net investment income</b>		<b>10,625,506</b>	<b>(1,068,525)</b>
Management fees		(582,322)	(314,501)
Performance fees		(1,376,493)	-
Directors' fees		(64,066)	(35,198)
Brokerage expense		(24,225)	(29,043)
Company secretarial fees		(30,148)	(24,234)
Custody fees		(10,824)	(11,192)
ASX listing and CHESS fees		(113,869)	(30,338)
Share registry fees		(72,664)	(21,475)
Legal fees		(173,338)	(9,490)
Accounting fees		(30,570)	(31,886)
Audit fees		(28,347)	(43,748)
Taxation fees		(142,722)	(32,309)
Other operating expenses		(51,492)	(43,937)
<b>Total expenses</b>		<b>(2,701,080)</b>	<b>(627,351)</b>
<b>Profit / (Loss) before Income Tax</b>		<b>7,924,426</b>	<b>(1,695,876)</b>
Income tax benefit / (expense)		(573,505)	523,111
<b>Profit / (Loss) attributable to members of the Company</b>	6	<b>7,350,921</b>	<b>(1,172,765)</b>
<b>Other comprehensive income / (loss) for the period</b>		<b>7,350,921</b>	<b>(1,172,765)</b>
<b>Total Comprehensive Income/(Loss) for the period</b>		<b>-</b>	<b>-</b>
<b>Basic Weighted Average Earnings / (Loss) per share (cents per share)</b>		<b>8.48</b>	<b>(2.42)</b>
<b>Diluted Weighted Average Earnings / (Loss) per share (cents per share)</b>		<b>8.48</b>	<b>(2.42)</b>

The accompanying notes form part of these financial statements.

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

**Statement of Financial Position**  
**As at 31 December 2019**

	Notes	December 2019	June 2019
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	7	1,802,845	701,885
Trade and other receivables	8	1,389,244	76,158
Prepayments		64,572	8,250
Financial assets at fair value through profit/loss	11	110,814,333	54,039,953
Deferred tax assets		89,418	57,734
<b>Total Assets</b>		<b>114,160,412</b>	<b>54,883,980</b>
<b>Liabilities</b>			
Trade and other payables	9	9,101,379	700,751
Financial liabilities at fair value through profit/loss	11	1,428,257	519,494
Current tax liabilities	10	1,197,903	-
Deferred tax liabilities		1,096,978	502,039
<b>Total Liabilities</b>		<b>12,824,517</b>	<b>1,722,284</b>
<b>Net Assets</b>		<b>101,335,895</b>	<b>53,161,696</b>
<b>Equity</b>			
Issued capital	4	101,581,542	57,034,812
Profit reserve	5	4,962,265	1,334,797
Accumulated losses	6	(5,207,912)	(5,207,913)
<b>Total equity</b>		<b>101,335,895</b>	<b>53,161,696</b>

The accompanying notes form part of these financial statements.



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

**Statement of Changes in Equity**  
**For the half year ended 31 December 2019**

	<b>Note s</b>	<b>Issued Capital \$</b>	<b>Accumulated losses \$</b>	<b>Profits Reserve \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2018</b>		46,744,460	(3,098,537)	2,817,614	46,463,537
Loss for the year attributable to the owners of the Company		-	(1,172,765)	-	(1,172,765)
Transfer to profits reserve		-	(1,893,021)	1,893,021	-
Dividends provided or paid	<b>3</b>	-	-	(1,695,242)	(1,695,242)
<b>Balance at 31 December 2018</b>		<b>46,744,460</b>	<b>(6,164,323)</b>	<b>3,015,393</b>	<b>43,595,530</b>
<b>Balance at 1 July 2019</b>		57,034,812	(5,207,913)	1,334,797	53,161,696
Profit for the year attributable to the owners of the Company		-	7,350,921	-	7,350,921
Transfer to profits reserve	<b>5</b>	-	(7,350,920)	7,350,920	-
Shares issued via scrip consideration for acquisition		44,229,638	-	-	44,229,638
Shares issued via dividend reinvestment plan		317,092	-	-	317,092
Dividends provided or paid	<b>3</b>	-	-	(3,723,452)	(3,723,452)
<b>Balance at 31 December 2019</b>		<b>101,581,542</b>	<b>(5,207,912)</b>	<b>4,962,265</b>	<b>101,335,895</b>

The accompanying notes form part of these financial statements.

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

**Statement of Cash Flows**  
**For the half year ended 31 December 2019**

	Notes	December 2019 \$	December 2018 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		6,762,371	13,576,316
Payments for investments		(8,023,312)	(9,096,775)
Dividends and capital return received		194,590	111,260
Interest received		6,043	19,780
Other income received		18,808	45,456
Income tax payments		(9,751)	(2,131)
Management fees (GST inclusive)		(515,558)	(319,957)
Performance fee (GST inclusive)		(424,224)	(1,049,619)
Brokerage expense (GST inclusive)		(24,225)	(29,043)
Payment of other operating expenses		(827,423)	(232,598)
<b>Net cash inflow from operating activities</b>		<b>(2,842,681)</b>	<b>3,022,689</b>
<b>Cash flows from financing activities</b>			
Dividends paid net of re-investment		(3,406,359)	(1,695,242)
Funding from Subsidiary		7,350,000	-
<b>Net cash (outflow) by financing activities</b>		<b>3,943,641</b>	<b>(1,695,242)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,100,960</b>	<b>1,327,447</b>
Cash and cash equivalents at 1 July		701,885	1,807,315
<b>Cash and cash equivalents at end of the period</b>		<b>1,802,845</b>	<b>3,134,762</b>
<b>Non-cash transactions:</b>			
Shares issued via dividend reinvestment plan		317,092	-
Shares issued via scrip consideration for acquisition	4(b)	44,229,638	-

The accompanying notes form part of these financial statements.

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

**Notes to the Interim Financial Report**  
**For the half year ended 31 December 2019**

**1. Summary of significant accounting policies**

These financial statements and notes for the half year represent those of Sandon Capital Investments Limited ("the Company").

The condensed interim financial report was authorised for issue on 27 February 2020 by the Board of Directors.

**Basis of preparation**

The half year financial statements are interim financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standard AASB 134: Interim Financial Reporting*.

The half year report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the half year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2019 and any public announcements made by the Company during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical cost with the exception of financial assets and certain other financial assets and liabilities which have been measured at fair value.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**New and amended Accounting Standards and Interpretations adopted.**

AASB 16 replaces AASB 117 Leases and is applicable for annual reporting commencing 01 January 2019. The standard removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases and move all off-balance sheet operating leases onto the balance sheet. On assessing the impact of AASB 16 it was determined that this new and amended Accounting Standard is not applicable to the company as the company has no lease agreements.

**Investment Entity**

Following the completion of the takeover offer on the 17<sup>th</sup> of October 2019, the Company owns 100% of the shares on issue in Mercantile Investment Company Ltd (MVT). On assessing the impact of AASB 10 Consolidated Financial Statements, based on the criteria set out in the standard, the directors considered MVT to be an investment entity and the exception to consolidation has been applied. Therefore, the wholly owned entity MVT has not been consolidated into the financial statements but has instead been accounted for as a financial asset at fair value through profit and loss.

**Tax Consolidation**

On the 3<sup>rd</sup> of the December 2019, the company formed a tax consolidated group with MVT and all its subsidiaries under the tax consolidated regime. The tax agreement is effective from the 3<sup>rd</sup> of December 2019 for the income year ending 30 June 2020 and future years. The Australian Taxation Office has been notified of this decision. As a result of tax consolidation, adjustments were required for the reset of tax bases of assets of the subsidiaries.

Controlled entities within the relevant tax consolidated group continue to be responsible under the Company's tax funding agreement for funding their share of tax payments that are required to be made by the Company. These tax amounts are measured as if each entity within the tax consolidated group continues to be a stand-alone tax payer in their own right.

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

**Notes to the Interim Financial Report**  
For the half year ended 31 December 2019

**1. Summary of significant accounting policies (continued)**

**Tax Consolidation (continued)**

Assets or liabilities arising under tax funding agreements are recognised as amounts receivable from or payable to other entities in the tax consolidated group. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**Rounding of amounts to the nearest dollar**

In accordance with the *ASIC (rounding in Financial/Directors' Reports) Instruments 2016/191*, the amounts in the Directors' report and in the financial report has been rounded to the nearest dollar (where indicated).

<b>2. Other revenue</b>	<b>December 2019</b>	<b>December 2018</b>
	\$	\$
Dividend income	225,617	167,708
Trust distributions	18,808	45,456
Interest income	6,043	19,780
	<b>250,468</b>	<b>232,944</b>

**3. Dividends**

**a) Dividends paid during the year**

<b>Amount per security (cents)</b>	<b>Franked amount per security (cents)</b>
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The following dividends were paid or provided for during the half year:

Final fully franked dividend for the year ended 30 June 2019 paid on 12 November 2019.

3.5	3.5
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<b>December 2019</b>	<b>December 2018</b>
\$	\$

Final fully franked dividend of 3.5 cents per share paid on 12 November 2019 (2018: Final fully franked dividend of 3.5 cents per share paid on 2 November 2018).

3,723,452	1,695,242
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**b) Dividends not recognised at half year end**

In addition to the dividends paid during the reporting period, since the end of the half year, the Directors have declared a 3.5 cents per share fully franked dividend, which has not been recognised as a liability at half year end.

<b>December 2019</b>	<b>December 2018</b>
\$	\$

Interim fully franked dividend for 2019 of 3.5 cents (2018: Interim fully franked dividend of 3.5 cents)

3,733,034	1,695,242
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**Sandon Capital Investments Limited**  
**ABN 31 107 772 467**

**Notes to the Interim Financial Report**  
**For the half year ended 31 December 2019**

**3. Dividends (continued)**

**b) Dividends not recognised at half year end (continued)**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Dividend franking account</b>		
Balance at the beginning of the year	939,267	998,569
Franking credits on dividends received	58,931	201,289
Other Tax Payments	6,219	1,025,454
Franked dividends paid	(1,412,344)	(1,286,045)
Franking credits transferred from MVT on tax consolidation	14,049,945	-
	<u>13,642,018</u>	<u>939,267</u>
Franked dividend declared but not recognised as liability at 31 December 2019 franked at 27.5% (June 2019: 27.5%)	(1,415,979)	-
Balance available for subsequent reporting periods	<u>12,226,039</u>	<u>939,267</u>
Franking credits (cents per share)	11.45	1.59

The total number of fully paid shares on issue as at 31 December 2019 is 106,771,031.

**4. Issued Capital**

	<b>December 2019</b>	<b>December 2019</b>	<b>June 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>Number</b>	<b>\$</b>	<b>Number</b>
<b>(a) Share Capital</b>				
Fully paid ordinary shares	101,581,542	106,771,031	57,034,812	59,259,401
<b>(b) Movements in shares on issue:</b>				
Opening balance	57,034,812	59,259,401	46,744,460	48,435,427
Shares issued – options acquired (MVT)	-	601,457	-	-
Shares issued as scrip consideration of MVT	44,229,638	46,523,233	10,290,352	10,823,974
Shares issued under a dividend reinvestment plan	317,092	386,940	-	-
Cost of raising capital net of tax	-	-	-	-
Closing balance	<u>101,581,542</u>	<u>106,771,031</u>	<u>57,034,812</u>	<u>59,259,401</u>

On the 17<sup>th</sup> October 2019, the Company completed the takeover offer of MVT. The offer consideration for the takeover bid was 0.2043 SNC shares for every 1 MVT share. As a result, the Company moved to a relevant interest in 100% of the shares in MVT. On the 18<sup>th</sup> October 2019 MVT was removed from Official Quotation and re-categorised as a Debt Listing on ASX.

**5. Profits reserve**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in profits reserve</b>		
Balance as at beginning of the period	1,334,797	2,817,614
Transfer from retained earnings	7,350,920	1,907,665
Dividend paid	(3,723,452)	(3,390,482)
	<u>4,962,265</u>	<u>1,334,797</u>
Profits reserve (cents per share)	4.65	2.25

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

**Notes to the Interim Financial Report**  
**For the half year ended 31 December 2019**

**6. Accumulated losses**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
Balance as at beginning of the period	(5,207,913)	(3,098,537)
Profit for the period	7,350,921	(201,711)
Transfer to profits reserve	(7,350,920)	(1,907,665)
	<u><b>(5,207,912)</b></u>	<u><b>(5,207,913)</b></u>

**7. Cash and cash equivalents**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	168,254	110,227
Collateral on short trades	1,634,591	591,658
	<u><b>1,802,845</b></u>	<u><b>701,885</b></u>

Collateral on short trades balance as at December 2019 include \$1,320,521 (June 2019: \$486,451) of unsettled short trades due to timing difference.

**8. Trade and other receivables**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	193,564	76,158
Provision for tax receivable (MVT and its subsidiaries)	1,195,680	-
	<u><b>1,389,244</b></u>	<u><b>76,158</b></u>

**9. Trade and other payables**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
Trade payable	274,167	276,527
Performance fee payable	1,477,212	424,224
Funding from Subsidiary (MVT)	7,350,000	-
	<u><b>9,101,379</b></u>	<u><b>700,751</b></u>

**10. Current tax liability**

	<b>December 2019</b>	<b>June 2019</b>
	<b>\$</b>	<b>\$</b>
Current tax liability	2,223	-
Provision for tax payable (MVT and its subsidiaries)	1,195,680	-
	<u><b>1,197,903</b></u>	<u><b>-</b></u>

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

**11. Financial instruments measured at fair value**

**(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.

Included in level 2 of the hierarchy are unlisted investment companies. The fair value of an investment has been based on its net asset backing, being the underlying value of its cash, cash equivalents and investment portfolio values at the end of the reporting period.

As at 31 December 2019, the Company has one unlisted investment classified as level 2. This investment is MVT.

MVT was acquired as result of the takeover offer which was successfully completed on the 17th of October 2019. The investment in MVT, which is now an unlisted wholly owned subsidiary, has been valued at its underlying post-tax net asset backing at the end of the reporting period. Although MVT itself is unlisted, and hence is reported as a level 2 assets, 84% of MVT's investment portfolio comprises level 1 assets. The balance of the fair value hierarchy comprises level 2 assets (1% of MVT's portfolio) and level 3 assets (15% of MVT's portfolio). The portion of MVT's assets that are reported as investments was valued at \$68,408,880 as at 31 December 2019. Other assets, such as the investment in ASK Funding Ltd and Richfield Maritime Agencies are reported as loans and cash.

Included with level 3 of the hierarchy are unlisted securities such as shares in private companies, trusts and unlisted foreign notes. In order to determine the fair value of these investments, valuation techniques such as comparisons to similar investments for which market observable inputs are available, latest available net tangible assets per share, the adjusted last sale price or the fair value of the expected redemption value in the notes have been adopted.

As at 31 December 2019, the Company had three unlisted investment classified as level 3.

The Company's investment in Carbon Conscious Investment Ltd (CCIL) valued at \$393,403 (June 2019: \$445,755) is based on its share of CCIL's shareholder equity. This valuation was supported by discounted cashflow calculations and earnings capitalisation calculations performed by the Company on readily available information.

The Company's investment in Foundation Life valued at \$295,206 (June 2019: \$348,951) is based on its share of Foundation Life's shareholder equity and ownership of Foundation Life's notes. These figures are reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively).

The Company's investment in OneMarket Limited (OMN) valued at \$2,805,894 (June 2019: \$2,169,505 reported under Level 1 fair value hierarchy) is based on its share of OMN's liquidation value. This valuation was supported by OMN's estimated proforma financial position as disclosed in its Notice of General Meeting dated 01 November 2019. During the period OMN has commenced a voluntary wind up and delisted from the ASX on the 2<sup>nd</sup> of December 2019. Subsequently the investment was transferred from level 1 to level 3 in the fair value hierarchy.

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

**Notes to the Interim Financial Report**  
**For the half year ended 31 December 2019**

**11. Financial instruments measured at fair value (continued)**

**(a) Fair value hierarchy (continued)**

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2019.

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets held for trading:</b>				
Listed investments	46,686,921	-	-	46,686,921
Unlisted investments	-	60,632,909	3,494,503	64,127,412
Financial Liabilities	(1,428,257)	-	-	(1,428,257)
	<b>45,258,664</b>	<b>60,632,909</b>	<b>3,494,503</b>	<b>109,386,076</b>

There was one investment transferred from level 1 to level 3 in the fair value hierarchy between levels during the period.

<b>30 June 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets held for trading:</b>				
Listed investments	53,245,247	-	-	53,245,247
Unlisted investments	-	-	794,706	794,706
Financial Liabilities	(519,494)	-	-	(519,494)
	<b>52,725,753</b>	<b>-</b>	<b>794,706</b>	<b>53,520,459</b>

**12. Contingencies and commitments**

There are no contingent assets or liabilities as at 31 December 2019 (June 2019: Nil). As at 31 December 2019, the Company had nil commitments (June 2019: Nil).

**13. 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.

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

The Board has declared a fully franked interim dividend of 3.5 cents per share, payable on 28 May 2020.

On the 19<sup>th</sup> November 2019 the Company announced details of a Buy Back Offer to holders of less than marketable parcels of SNC shares. Following completion of the Buy Back, the Company cancelled 112,905 SNC shares in January 2020.

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



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

**Directors' Declaration**  
**For the half year 31 December 2019**

The Directors of Sandon Capital Investments Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the *Corporations Act 2001*, including:
  - a) Complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - b) Giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its performance for the half year ended on that date.
2. In the Directors' 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.

Signed in accordance with a resolution of Directors, pursuant to section 306(3)(a) of *the Corporations Act 2001*.

On behalf of the Directors,



Gabriel Radzynski  
Chairman

Sydney  
27 February 2020

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**Independent Auditor's Review Report  
to the Members of Sandon Capital Investments Limited  
ABN 31 107 772 467**

**Report on the Half Year Financial Report**

We have reviewed the accompanying half year financial report of Sandon Capital Investments Limited ("the Company"), which comprises the statement of financial position as at 31 December 2019, statement of profit or loss and other 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.

**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 *Corporation Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 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 Sandon Capital Investments 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**

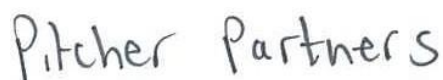
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Sandon Capital Investments Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2019 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*.



**S S WALLACE**

Partner



**PITCHER PARTNERS**

Sydney

27 February 2020