

SANDON CAPITAL

Sandon Capital Investments Limited
ABN 31 107 772 467

Appendix 4D – HALF YEAR REPORT **For the half year ended 31 December 2022**

Results For Announcement to the Market
All comparisons to the half year ended 31 December 2021

	\$	Movement Up/(down)	Movement Up/(down) %
Revenue from ordinary activities	(882,798)	Down	(112%)
Profit from operating activities before tax attributable to members	(2,220,353)	Down	(151%)
Profit from operating activities after tax attributable to members	(819,593)	Down	(118%)
Total comprehensive income attributable to members	(819,593)	Down	(118%)

Interim Dividend	Cents per share	Franked amount per share	Tax rate of franking
2023 Interim dividend	2.75	2.75	25.0%
Ex-dividend date			16 May 2023
Record date			17 May 2023
Payment date			2 June 2023

Dividend Reinvestment Plan

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

Dividends paid during the period	Cents per share	Franked amount per share	Tax rate for franking
2022 Final dividend paid 7 November 2022	2.75	2.75	25%
		31 December 2022 Cents	31 December 2021 Cents

Net tangible Assets Per Share

Net tangible assets per share (before tax)	74.68	110.31
Net tangible assets per share (after tax)	76.98	104.17

A dividend of 2.75 cents per share was paid during the half year to 31 December 2022

This report is based on the Half Year Financial Report attached which has been subjected to independent review by the auditors, Grant Thornton Pty Limited. All documents comprise the information required by Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2022 Annual Financial Report.

Sandon Capital Investments Limited
ABN 31 107 772 467

Interim Financial Report
For the half year ended 31 December 2022

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Interim Financial Report
For the half year ended 31 December 2022

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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 Radzyminski – Chairman
Peter Velez – Independent Non-Executive Director
Jacqueline Sullivan – Independent Non-Executive Director

Company Secretary

Mark Licciardo
Acclime Australia
Level 7, 330 Collins Street
Melbourne VIC 3000

Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Share Registry

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

Sandon Capital Investments Limited
ABN 31 107 772 467

Directors' Report to shareholders
For the half year ended 31 December 2022

The Directors of Sandon Capital Investments Limited (**SNC or the Company**) present their report together with the interim financial statements of the Company for the half year ended 31 December 2022.

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 Radzyminski – Chairman

Peter Velez – Independent Non-Executive Director

Jacqueline Sullivan – Independent Non-Executive Director

Company secretary

Mark Licciardo

Auditors

Grant Thornton Audit Pty Ltd

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 (**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.

Operating Results

The Company recorded gross investment losses of \$882,798 (December 2021: gains \$7,343,716) comprising realised gains of \$8,151,411 and unrealised losses of \$10,741,212 on financial assets, dividends of \$1,687,357 and some interest. Included in the realised gains, was an amount of \$3,548,235 relating to the transfer to securities between SNC and its wholly-owned subsidiary. There is no tax payable on the realised gain arising from the intercompany securities transfer. For the period, the Company recorded a net loss before tax of \$2,220,353 (December 2021: gain \$4,316,699).

The Company's net loss after tax was \$819,593 (December 2021: net profit \$4,665,451), 118% lower than the prior comparable period.

During the reporting period, the Company's cash holdings decreased from \$520,517 as at 30 June 2022 to \$180,470 as at 31 December 2022. This reflected the net effect of inflows from sales of investments, borrowings, receipts of dividends and interest and outflows from purchases of investments, payment of company expenses and the payment of a total of 2.75 cents per share dividends during the period.

The return to shareholders for the 6-month period (measured as the change in the Net Tangible Assets/share plus dividends paid and imputation credits) was a negative return of 1.85%.

During the period, the Company issued 1,614,885 shares in respect of the Dividend Reinvestment Plan (DRP).

As at 31 December 2022 there were 137,379,512 SNC shares on issue.

Sandon Capital Investments Limited
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Directors' Report to shareholders
For the half year ended 31 December 2022

Director's Report (continued)

On 11 November 2022, Mercantile Investment Company Limited (**MVT**), a wholly-owned subsidiary, increased its shareholding in ASK Funding Limited (**ASK**) to 93.95%. As a consequence of passing the 90% shareholding threshold, the Company proceeded with compulsory acquisition of all remaining ASK shares it did not already own. The compulsory acquisition was finalised in late January. See "Events occurring after the reporting period" and Note 15 for details.

Dividends

Subsequent to 31 December 2022, the Board has determined to pay an interim fully franked dividend of 2.75 cents per share. This fully franked interim dividend will be paid to shareholders on 2 June 2023. The Dividend Reinvestment Plan (DRP) will apply to this dividend. There will be no discount for the DRP.

A fully franked final dividend of 2.75 cents per share for the financial year ending 30 June 2022 was paid on 7 November 2022. The total dividends paid to shareholders during the 6-month period was \$3,733,527.

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 2.75 cents per share, payable on 2 June 2023. The DRP will apply to this dividend. There will be no discount for the DRP.

On 25 January 2023, MVT completed the compulsory acquisition of ASK.

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
24 February 2023

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230
T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Sandon Capital Investments Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Sandon Capital Investments Limited for the half-year ended 31 December 2022, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance
Sydney, 24 February 2023

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Sandon Capital Investments Limited
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Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2022

	Notes	December 2022	December 2021
		\$	\$
Net realised gains on financial assets		8,151,411	3,044,684
Net unrealised (loss)/gain on financial assets		(10,741,212)	2,470,117
Other revenue from operating activities	2	1,707,003	1,828,915
Net investment (loss)/income		(882,798)	7,343,716
Management fees		(833,297)	(1,132,282)
Performance fees		-	(1,321,738)
Directors' fees		(30,274)	(33,414)
Brokerage expense		(43,434)	(57,480)
Company secretarial fees		(21,010)	(24,300)
Custody fees		(13,938)	(10,416)
ASX listing and CHESS fees		(41,528)	(60,272)
Share registry fees		(34,584)	(29,934)
Legal fees		(8,246)	(6,434)
Accounting fees		(62,933)	(39,182)
Audit fees		(62,798)	(56,983)
Taxation fees		(113,000)	(187,605)
Other operating expenses		(72,513)	(66,977)
Total expenses		(1,337,555)	(3,027,017)
(Loss)/profit before income tax		(2,220,353)	4,316,699
Income tax benefit		1,400,760	348,752
(Loss)/profit attributable to members of the Company	6	(819,593)	4,665,451
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period		(819,593)	4,665,451
Basic Weighted Average Earnings per share (cents per share)		(0.60)	3.84
Diluted Weighted Average Earnings per share (cents per share)		(0.60)	3.84

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Financial Position
As at 31 December 2022

	Notes	December 2022	June 2022
		\$	\$ Restated *
Assets			
Cash and cash equivalents	7	180,470	520,517
Trade and other receivables	8	231,854	324,199
Prepayments		51,039	76,511
Financial assets at fair value through profit/loss	11	136,841,755	141,350,494
Deferred tax assets	13	3,163,870	1,853,221 *
Total Assets		140,468,988	144,124,942
Liabilities			
Trade and other payables	9	2,173,770	3,563,734 *
Financial liabilities	11	1,201,733	-
Financial liabilities at amortised costs	10	31,041,174	31,033,637 *
Deferred tax liabilities	13	14,479	32,480
Total Liabilities		34,431,156	34,629,851
Net Assets		106,037,832	109,495,091
Equity			
Issued capital	4	131,109,266	130,013,405
Profits reserve	5	37,149,574	35,939,237
Accumulated losses	6	(62,221,008)	(56,457,551)
Total Equity		106,037,832	109,495,091

* See Note 13 for restatements and reclassifications

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Changes in Equity
For the half year ended 31 December 2022

	Note s	Issued Capital \$	Accumulated losses \$	Profits Reserve \$	Total Equity \$
Balance at 1 July 2021		105,111,400	(19,256,770)	31,136,296	116,990,926
Profit for the year attributable to the owners of the Company		-	4,665,451	-	4,665,451
Transfer to profits reserve	5	-	(13,502,402)	13,502,402	-
Shares issued via entitlement offer		22,397,604	-	-	22,397,604
Shares issued via dividend reinvestment plan		1,440,890	-	-	1,440,890
Dividends provided or paid	3	-	-	(5,000,359)	(5,000,359)
Balance at 31 December 2021		128,949,894	(28,093,721)	39,638,339	140,494,512
Balance at 1 July 2022		130,013,405	(56,457,551)	35,939,237	109,495,091
Profit for the year attributable to the owners of the Company		-	(819,593)	-	(819,593)
Transfer to profits reserve	5	-	(4,943,864)	4,943,864	-
Shares issued via dividend reinvestment plan		1,095,861	-	-	1,095,861
Dividends provided or paid	3	-	-	(3,733,527)	(3,733,527)
Balance at 31 December 2022		131,109,266	(62,221,008)	37,149,574	106,037,832

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Cash Flows
For the half year ended 31 December 2022

	Notes	December 2022	December 2021
		\$	\$
Cash flows from operating activities			
Proceeds from sale of investments		12,705,983	9,038,194
Payments for investments		(8,448,258)	(23,164,367)
Dividends and capital return received		1,831,991	1,821,987
Interest received		29,346	5,781
Income tax payments		-	(7,528)
Management fees (GST inclusive)		(1,469,231)	(1,169,832)
Performance fee (GST inclusive)		-	(9,349,596)
Brokerage expense (GST inclusive)		(46,612)	(57,480)
Payment of other operating expenses		(1,031,449)	(774,315)
Net cash inflow/(outflow) from operating activities		3,571,770	(23,657,156)
Cash flows from financing activities			
Proceeds from issue of new shares		-	22,397,604
Dividends paid net of re-investment		(2,637,666)	(3,559,469)
(Repayment of loan with subsidiary)/loan received from subsidiary		(2,605,000)	5,650,000
Net cash (outflow)/inflow by financing activities		(5,242,666)	24,488,135
Net (decrease)/increase in cash and cash equivalents		(1,670,896)	830,979
Cash and cash equivalents at 1 July 2021		520,517	2,182,981
Cash and cash equivalents at end of the period	7(a)	(1,150,379)	3,013,960
Non-cash transactions			
Proceeds from intragroup shares transfer	10	28,624,407	-
Payments for intragroup shares transfer	10	(29,906,095)	-

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Notes to the Interim Financial Report
For the half year ended 31 December 2022

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 24 February 2023 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 2022 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 in note 10 and below.

New and amended Accounting Standards and Interpretations adopted.

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

There were no new or amended Accounting Standards or Interpretations that were not yet mandatory and early adopted which are expected to have a significant impact on the Company's financial statements.

Investment Entity

The directors have determined that the Company meets the definition of an investment entity under AASB 10 Consolidated Financial Statements. Hence, as an investment entity it shall not consolidate its subsidiary or apply AASB 3 Business Combinations when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit and loss in accordance with AASB 9 Financial Instruments.

Tax Governance

The Company considers that tax risk management is a fundamental part of its tax governance in order to maintain its efficient and effective operations and to ensure that the Company complies with all relevant tax obligations and pays the correct amount of tax. In order to ensure that the above intentions manifest in practice, the Company has a documented Tax Governance Framework which is designed to comply with Australian Tax Office requirements. Full details of the Company's Tax Governance philosophy will be included in the full year report.

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).

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

2. Other revenue	December 2022	December 2021
	\$	\$
Dividend income	1,687,357	1,818,113
Interest income	19,646	10,802
	<u>1,707,003</u>	<u>1,828,915</u>

3. Dividends

(a) Dividends paid during the year

Amount per security (cents)	Franked amount per security (cents)
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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 2022 paid on 7 November 2022.	2.75	2.75
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	December 2022	December 2021
	\$	\$
Final fully franked dividend of 2.75 cents per share paid on 7 November 2022 (2021: Final fully franked dividend of 2.75 cents per share paid on 5 November 2021).	3,733,527	3,659,280

No special dividend was paid (2021: Special fully franked dividend of 1.0 cent per share paid on 20 December 2021).	-	1,341,079
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In addition to the dividends paid during the reporting period, since the end of the half year, the Directors have announced their intention to pay a 2.75 cents per share fully franked dividend, which has not been recognised as a liability at half year end.

	December 2022	December 2021
	\$	\$
Interim fully franked dividend	3,777,937	3,699,103

(b) Dividend franking account

December 2022	June 2022
\$	\$

Balance at the beginning of the year	8,792,361	10,671,633
Franking credits on dividends received	471,505	1,096,345
Franking credits on dividends received by Subsidiary	120,023	314,132
Other tax payments by Subsidiary	-	(389,928)
Franked dividends paid	(1,244,509)	(2,899,821)
	<u>8,139,380</u>	<u>8,792,361</u>

Franked dividend declared but not recognised as a liability at 31 December 2022	(1,259,312)	-
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Balance available for subsequent reporting periods	<u>6,880,068</u>	<u>8,792,361</u>
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Franking credits (cents per share)	5.01	6.48
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The total number of fully paid shares on issue as at 31 December 2022 is 137,379,512.

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

4. Issued Capital

	December 2022 \$	December 2022 Number	June 2022 \$	June 2022 Number
(a) Share Capital				
Fully paid ordinary shares	131,109,266	137,379,512	130,013,405	135,764,627
(b) Movements in shares on issue:				
Opening balance	130,013,405	135,764,627	105,111,400	110,888,889
Shares issued under the entitlement offer	-	-	22,397,604	22,175,846
Shares issued under a dividend reinvestment plan	1,095,861	1,614,885	2,504,401	2,699,892
Closing balance	131,109,266	137,379,512	130,013,405	135,764,627

5. Profits reserve

	December 2022 \$	June 2022 \$
Movement in profits reserve		
Balance as at beginning of the period	35,939,237	31,136,297
Transfer from retained earnings	4,943,864	13,502,402
Dividend paid	(3,733,527)	(8,699,462)
	37,149,574	35,939,237
Profits reserve (cents per share)	27.04	26.47

6. Accumulated losses

	December 2022 \$	June 2022 \$
Balance as at beginning of the period	(56,457,551)	(19,256,770)
Profit for the period	(819,593)	(23,698,379)
Transfer to profits reserve	(4,943,864)	(13,502,402)
	(62,221,008)	(56,457,551)

7. Cash and cash equivalents

	December 2022 \$	June 2022 \$
Cash at bank	180,470	520,517
	180,470	520,517

(a) Reconciliation to the statement of cash flows

	December 2022 \$	June 2022 \$
Cash at bank	180,470	520,517
Overdraft drawn under Prime Broker facility	(1,330,849)	-
	(1,150,379)	520,517

Sandon Capital Investments Limited
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Notes to the Interim Financial Report
For the half year ended 31 December 2022

8. Trade and other receivables

	December 2022	June 2022
	\$	\$
GST receivable	26,957	34,980
Interest receivable	5,904	15,604
Amounts receivable from investment manager	198,993	273,615
	231,854	324,199

9. Trade and other payables

	December 2022	June 2022
	\$	\$
Management fee payable	153,706	728,668
Outstanding settlements payable	-	717,578
Other payables	178,157	203,471
Intercompany tax payable under tax funding agreement	1,841,907	1,914,017 *
	2,173,770	3,563,734

* June 2022 balance restated, refer to Note 13

10. Financial liabilities at amortised costs

During the period, the Company used the services of a Prime Broker to facilitate the lending to buy and sell securities. The balance of the facility is initially recognised at fair value, net of any transaction costs incurred. The balance is subsequently measured at amortised cost. Any difference between the proceeds of sales (net of transaction costs) and initial cost is recognised in the income statement over the reporting period.

	December 2022	June 2022
	\$	\$
Amounts payable to wholly owned subsidiary	29,710,325	31,033,637 *
Overdraft drawn under Prime Broker facility	1,330,849	-
	31,041,174	31,033,637

* June 2022 balance restated, refer to Note 13(b)

(a) Amounts payable to wholly owned subsidiary

During the period, the Company repaid the June 2022 intercompany loan from MVT in full. This was repaid with a combination of cash and an off-market transfer of shares with a value of \$28,624,407.

On the 28 December 2022, SNC and MVT entered a new loan arrangement, with the condition in respect of each advance that it must be repaid immediately preceding the first anniversary of the drawdown date.

On the same day, MVT advanced the sum of \$29,906,095 to SNC. This advance was satisfied by the transfer of securities at market value through an off-market transfer. Loans under this agreement must be repaid in cash unless otherwise agreed by the parties.

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

10. Financial liabilities at amortised costs (continued)

(a) Amounts payable to wholly owned subsidiary (continued)

The following table summarises the movement in the wholly owned subsidiary loan for the period

	December 2022	June 2022
	\$	\$
Opening balance	31,033,637	24,767,467
Repayment of loan with subsidiary/funding received from subsidiary	(2,605,000)	6,266,170
Non-cash off-market transfer of shares from SNC to MVT at market value	(28,624,407)	-
Non-cash off-market transfer of shares from MVT to SNC at market value	29,906,095	-
	29,710,325	31,033,637

(b) Prime Broker facility

In July 2022, the Company entered into a prime brokerage facility, including cash and securities lending, and custody arrangements with BNP Paribas (“the Prime Broker,” “PB Custody” and together “the PB Facility”). It also has separate custody arrangements with One Investment Group (OIG Custody”). As security for payment and performance of its obligations the company may grant full title guarantee that is free from any adverse interest security interest by way of charge.

The PB Facility is secured by a first charge over the financial assets that the Company transfers, from time to time, to the PB Facility. This charge covers all of the Company’s right, title and interest in the assets transferred to the PB Facility. This includes those that may be transferred to custodians and sub-custodians (by the Prime Broker) in accordance with the Prime Brokerage Agreement, and any right which arises after the date of the charges to receive cash or return of property from the parties under the Prime Brokerage Agreement, as security for payments and performance by the Company of all of its obligations to the Prime Broker under the Prime Brokerage Agreement.

As at 31 December 2022, the Company had a loan outstanding from the PB Facility of \$1.3m secured against \$39.4m of securities held within the PB Custody. No securities were re-pledged by the Prime Broker.

The Company has the ability to employ leverage, either by borrowing money or by short selling. The Board has imposed a limit to such leverage of not more than 50% of total assets (that is 150% gross exposure). Leverage can not only magnify gains but also losses. One of the means used to provide leverage is a facility provided by the Prime Broker (PB). Under this facility the PB provides leverage based on the assets held by them. This takes into account a variety of risk metrics including stock concentration, liquidity and other relevant items. The leverage facility limit may vary over time. The face value and any accrued interest of 4.8% listed unsecured notes issued by wholly owned subsidiary (MVT) form part of the Company’s calculations of leverage. As at 31 December 2022, the total leverage, including notes and PB drawings, was 18%

The weighted average interest rate for the Prime Brokerage Facility as at December 2022 was 2.55%. During the period under the Prime Brokerage Facility, the Company reported interest income of \$2,883, interest expense of \$15,419 and fee expenses of \$3,850.

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

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

11. Financial Instruments measured at fair value (continued)
(a) Fair value hierarchy (continued)

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 is the last traded price. Where the last traded price is higher than the bid and offer spread the offer price is used at the end of the reporting period. Where the last traded price is lower than the bid and offer spread the bid price is used at the end of reporting period. Both last traded and offer prices exclude transactions 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 2022, the Company has one unlisted investment classified as level 2. This investment is MVT.

The investment in MVT is an unlisted wholly owned subsidiary, which 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 asset, 78.65% of MVT's investment portfolio comprises level 1 assets. The balance of the fair value hierarchy comprises level 2 assets (1.55% of MVT's portfolio) and level 3 assets (19.80% of MVT's portfolio). The portion of MVT's assets that are reported as investments was valued at \$49,733,000 as at 31 December 2022. 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 2022, the Company had four unlisted investments classified as level 3.

The Company's investment in Carbon Conscious Investment Ltd (CCIL) valued at \$344,996 (June 2022: \$373,439) 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 \$312,811 (June 2022: \$304,497) 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 \$28,927 (June 2022: \$101,244) is based on its share of OMN's liquidation value following the receipt of an interim distribution of \$144,634 on 23 December 2022. OMN delisted from the ASX on the 2nd of December 2019. The liquidators are yet to determine if there will be a final distribution.

The Company's investment in Monash Absolute Investment Company Ltd (MA1) valued at nil (June 2022: \$165,031) is based on MA1's voluntary liquidation and dividends received. Liquidators are yet to confirm any further final distributions.

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

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 2022.

31 December 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held for trading:				
Listed investments	77,329,381	-	-	77,329,381
Unlisted investments	-	58,825,640	686,734	59,512,374
Financial liabilities	(1,201,733)			(1,201,733)
	76,127,648	58,825,640	686,734	135,640,022
<hr/>				
30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held for trading:				
Listed investments	83,686,238	-	-	83,686,238
Unlisted investments	-	56,720,045	944,211	57,664,256
	83,686,238	56,720,045	944,211	141,350,494

There were no financial assets transferred from level 1 to level 2 or level 3 in the fair value hierarchy during the period (June 2022: There was no transfer of asset between hierarchy)

The following table presents the movement in level 3 instruments for the period ended 31 December 2022

Unlisted Investments	December 2022	June 2022
	\$	\$
Opening Balance	944,211	1,213,079
Purchases	21,709	32,357
Unrealised (loss)/gain	(288,109)	(291,886)
Foreign exchange gain/(loss)	8,923	(9,339)
Closing Balance	686,734	944,211

12. Financial risk management

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

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

(a) Counterparty risk

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

The Company takes on exposure to credit risk, which is the risk that a counterparty (Prime Broker, custodian, sub-custodian, and broker) will be unable to pay amounts in full when due. The maximum exposure to counterparty risk on financial assets, is the carrying amount net of any expected credit loss of those assets as presented in the statement of financial position.

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

12. Financial risk management (continued)

(a) Counterparty risk (continued)

There are risks involved in dealing with custodians or Prime Brokers who settle trades. Under certain circumstances, including certain transactions where the Company's assets are held at a Prime Broker, custodian, or sub-custodian, the securities and assets deposited with the Prime Broker/custodian may be exposed to credit risk with regards to such parties. In addition, there may be practical, or timing problems associated with enforcing the Company's rights to its assets in the case of insolvency of any such party.

The Company maintains a PB Facility, including cash and securities lending, and custody facilities with its Prime Broker and custody facilities with One Investment Group. There is no guarantee that these or any sub-custodian that BNP Paribas or One Investment Group may use or any other Prime Broker or custodian that the Company may use from time to time, will not become insolvent. In the event of an insolvency or liquidation of a Prime Broker or custodian that is being used by the Company, there is no certainty that the Company would not incur losses due to its assets being unavailable for a period or ultimately less than full recovery of its assets, or both. As substantially all of the Company's assets may be held by a Prime Broker, custodian or sub-custodian and in some cases a major Australian bank, such losses could be significant and materially impair the ability of the Company to achieve its investment objective.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that counterparties are of a sufficient quality rating. The costs of establishing and maintaining Prime Broking and custody arrangements are not insignificant. It is not feasible nor economic for the Company to maintain more than two such arrangements. Indeed, most listed investment companies would only have one such arrangement. The Manager is satisfied that the counterparties are sufficiently diverse to mitigate the general counterparty risk.

The majority of the Company's receivables arise from the loan to the Manager relating to the cost of raising capital. To date, the Manager has paid all its contractual repayments and is expected to continue to do so as set out in the loan agreement.

All transactions in listed securities are settled / paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation. The majority of cash and term deposits held by the Company are invested with major Australian financial institutions.

Any cash held by BNP Paribas is not treated as client money, but rather held as collateral and is not subject to the client monies protections conferred by the Financial Conduct Authority rules relating to client money. As a consequence, the Company's money is held by the Prime Broker as banker and not as a trustee or agent and the Prime Broker will not be required to place the Fund's money in a segregated client account, and the Company will therefore rank equally with BNP Paribas's other account holders in relation thereto.

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

For the financial guarantee contract with MVT's noteholders, the Company's maximum exposure is the amount that the Company would have to pay if the guarantee is called on. At 31 December 2022, there has been no significant increase in the credit risk associated with the financial guarantee contract associated with the restructure of the MVT notes. Consequently, there is no loss allowance on financial guaranteed contracts at the reporting date.

(b) Liquidity risk

The Company monitors its cashflow requirements daily by reference to known transactions to be paid or received. The Company may hold a portion of its portfolio in cash and short-term fixed interest securities sufficient to ensure that it has cash available to meet all payments.

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

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

12. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

The Manager monitors the Company's cash-flow requirements regularly by reference to known sales and purchases of securities, dividends and interest to be paid or received and other expenses and liabilities. The Company typically holds a portion of its portfolio in cash sufficient to ensure that it has cash readily available to meet all payments and to take advantage of the price of investment opportunities. The Company can increase its level of sales of the readily tradeable securities it holds to increase cash, or it can use its lending facility with its Prime Broker.

All the trade payables and financial liabilities at amortised cost are deemed current.

As 31 December 2022, the expected credit loss allowance for the financial guarantee contract with MVT noteholders of the listed notes issued by MVT is nil (June 2022: nil).

(c) Market risk

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

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

The Company monitors its gross and net exposures to the market on a daily basis.

13. Restatement and reclassifications

(a) Deferred tax restatement

In preparing MVT's financial accounts for the year ended 30 June 2022, MVT did not recognise a tax loss that arose in relation to an investment that was wound up and deregistered with ASIC during the year ended 30 June 2022. The non-recognition and non-transfer of this additional tax loss to the Company under the Tax Sharing Agreement resulted in SNC's deferred tax asset and its subsidiary intercompany tax payable being understated at 30 June 2022.

The following table summarises the impact on the restated accounts:

Statement of Financial Position	30 June 2022	Adjustment	30 June 2022 Restated
	\$	\$	\$
Deferred tax asset	868,802	984,419	1,853,221
Total Assets	143,140,523	984,419	144,124,942
Intercompany tax payable under tax funding agreement	929,598	984,419	1,914,017
Total Liabilities	33,645,432	984,419	34,629,851

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Notes to the Interim Financial Report
For the half year ended 31 December 2022

13. Restatement and reclassifications (continued)

(b) Reclassification of financial liabilities

In the annual report for the year ended 30 June 2022, the amount payable to MVT was reported under trade and other payables. This amount has been reclassified and has been reported under financial liabilities at amortised costs. This reclassification has no impact on the economic value of the Company.

13. Contingencies and commitments

There are no contingent assets or liabilities as at 31 December 2022 (June 2022: Nil). As at 31 December 2022, the Company had nil commitments (June 2022: Nil).

14. Segment information

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

15. Events occurring after the reporting period

The Board has determined to pay an interim fully franked dividend of 2.75 cents per share, payable on 2 June 2023. The DRP will apply to this dividend. There will be no discount.

On 25 January 2023, MVT completed the compulsory acquisition of ASK.

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.

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Directors' Declaration
For the half year 31 December 2022

The Directors of Sandon Capital Investments Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 18, 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 2022 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
24 February 2023

Independent Auditor's Review Report

To the Members of Sandon Capital Investments Limited

Report on the half year financial report

Conclusion

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 2022, and the 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 description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- a giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 2022 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*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A J Sheridan
Partner – Audit & Assurance

Sydney, 24 February 2023