

Sandon Capital Investments Limited
ABN 31 107 772 467

Annual Report
30 June 2016

Sandon Capital Investments Limited
ABN 31 107 772 467

Annual Financial Report - 30 June 2016

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Sandon Capital Investments Limited
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Portfolio Composition
As at 30 June 2016

Listed Investment Positions	Total Value
	\$
Name	
Acorn Capital Investment Fund Limited	2,734,688
Ardent Leisure Group	971,757
AMP China Growth Fund	780,831
Alliance Resources Ltd	196,109
Armidale Investment Corporation Limited	6,997,266
Bentham IMF Bonds	734,314
Bluescope Steel Ltd	3,112,688
Centrepont Alliance Limited	2,026,719
Chesser Resources Limited	581,776
Clarius Group Limited	1,323,014
Coventry Group Ltd	1,760,493
Fleetwood Corporation Ltd	3,738,208
Global Masters Fund Limited	156,773
Graincorp Limited	760,061
Ingenia Communities Group	394,570
Jumbo Interactive Ltd	131,322
Karoon Gas Ltd	435,037
Mach7 Technologies Ltd	276,427
MacMahon Ltd	225,926
Metgasco Ltd	72,571
Mercantile Investment Company Ltd Notes	502,500
Onthehouse Limited	2,630,952
Premiere Eastern Energy Ltd	253,080
Paperlinx SPS Trust	198,198
RNY Property Trust	1,283,030
Smiths City Group Ltd (NZX)	2,132,477
Sequoia Financial Group	228,000
Tatts Group Ltd	2,379,230
Universal Coal PLC	575,615
Warrnambool Cheese & Butter Factory Company Holdings Limited	2,519,909
Total	40,113,541
Unlisted Investment Positions	
Foundation Life (NZ) Limited (New Zealand)	206,449
Cash and cash equivalents	2,291,453
	42,611,443

Sandon Capital Investments Limited
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For the year ended 30 June 2016

Chairman's Letter

Dear Fellow Shareholders,

The Directors of Sandon Capital Investments Ltd (ASX:SNC) ("SNC" or "the Company") are pleased to present the Company's Annual Report for the year ended 30 June 2016.

Financial highlights

The Company reported a 325% increase in net profit after tax to \$2,212,648 for the financial year ended 30 June 2016. Revenues increased 376% to \$4,653,787 over the same period.

Dividend Announcement – fully franked dividends of 3.0 cents per share

On 18 August 2016 the Directors announced a 50% increase in the final fully franked ordinary dividend to 3.0 cents per share. The Board has decided that the dividend reinvestment plan will not apply to this dividend.

The key dates for the final dividend are:

Announcement date	18 August 2016
Ex-date	21 October 2016
Record date	24 October 2016
Date payable	2 November 2016

Investment objectives

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

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

Investment performance

The SNC portfolio outperformed the All Ordinaries Accumulation Index by 10.8% for the year ended 30 June 2016, achieving a gross return of 12.8% for the financial year ended 30 June 2016.

Financial year 2016 was another busy year for our activist strategy, building upon the engagements begun in 2015. The best performing investments in 2016 were Alchemia Ltd, Armidale Investment Corporation Ltd, Acorn Capital Investment Fund Ltd and BlueScope Steel Ltd.

Alchemia Ltd (ACL) was a perfect example of SNC's activist investment approach. The investment thesis was that ACL was trading below the value of its cash and a profit share from sales of an injectable anticoagulant. We formed the view that remedial action was required. In short, we campaigned for Board changes, leading to the retirement of three directors. The newly constituted Board, ably led by the SNC nominee Mr Ken Poutakidis, negotiated the sale of the profit share for more than twice the market capitalisation of the company. Shareholders received a return of capital of 9.3 cents per share, for shares that had been trading at 3.2 cents per share at the beginning of FY2016. Following the return of capital SNC sold its shares for 0.8 cents per share, bringing the total return proceeds to 10.1 cents per share.

Below, we outline the progress on other activist engagements during the financial year:

Target:	BlueScope Steel Ltd (BSL)
Thesis:	Share price discount to value – "cheapest steel company in the world"
Action:	In June 2015, the investment manager published a detailed analysis of BSL. This research formed the basis of an engagement campaign with shareholders, potential investors and the analyst community. The aim was to convince "the market" that BSL was misunderstood and mispriced: that it was the cheapest steel company in the world. A key aspect of this analysis was to show the value of BSL assuming losses from the Port Kembla operation could be staunchened by closing the steel mill. Unbeknown to us, BSL itself working on a similar thesis, though theirs was to obtain cost savings sufficient to return Port Kembla to profitability. Management's plan was announced in late August 2015.
Result:	Late 2015 and early 2016 saw more positive data emerge from the cost cutting measures at BSL's Port Kembla operations and the acquisition of the 50% share of the Northstar steel mill it did not already own. Upgrades to earnings guidance began to improve market perceptions of BSL. The BSL share price ended the financial year up 117%, and continued to increase beyond year end. The Investment Manager capitalised on the recent share price strength to sell part of the position.

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Chairman's Letter (continued)

Investment performance (continued)

Target **Onthehouse Holdings Ltd (OTH)**

Thesis: Share price discount to value

Action: OTH was the target of a campaign by Sandon Capital and its associates to focus the company's attention on its real estate software solutions business. Following board changes in late 2014/early 2015, a strategic review led to the decision to exit the online real estate business to focus on the real estate software solutions business.

Result: As these strategic changes took shape, OTH received an indicative non-binding takeover proposal in late December 2015 from a consortium including Michael Dempsey, OTH's largest shareholder. The consortium and the Directors of OTH agreed a scheme of arrangement proposal to acquire control of OTH at a price of 85 cents per share. Although at a substantial premium to SNC's average purchase price, we believe the bid undervalues OTH.

Outlook

Financial year 2017 is off to a promising start. The Company's investment in Armidale Investment Corporation Limited is expected to continue to make a significant contribution to returns as it continues its transformation into Australia's leading asset finance broker aggregator. Smiths City Group Ltd in New Zealand has begun delivering on a long-needed turnaround. Its share price has risen 29% since 30 June 2016. We believe this is partly due to improved financial performance.

The profit appropriation reserve, after adjusting for the payment of the 3.0 cents per share final dividend, stands at 2.2 cents per share at the end of August 2016 (on an unaudited basis). The Directors anticipate, subject to the availability of profits and prudent business practice, declaring an interim dividend of not less than 2 cents per share in early 2017.

On behalf of the Board, I would like to thank our fellow shareholders for their continued support throughout 2016 and we look forward to reporting to you on our progress in 2017.

Yours sincerely,



Gabriel Radzynski
Chairman

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2016

The Directors of Sandon Capital Investments Limited ("the Company") present their report together with the financial statements of the Company for the year ended 30 June 2016.

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

Directors

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

Gabriel Radzyminski – Chairman
Paul Jensen – Independent Non-executive Director
Matthew Kidman – Independent Non-executive Director

Company secretary

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

Principal activities

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

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

The Company may invest in cash, term deposits, unlisted and listed securities and debt instruments. As at 30 June 2016, approximately 94% of the portfolio was invested in listed securities, with the remainder invested in unlisted securities, cash and term deposits.

Operating Results

Net profit before tax of \$2,980,557 (2015: Loss of \$4,650) was up due to an increase in the market value of investments at 30 June 2016.

The Company's net profit after tax was up 325% for the year \$2,212,648 (2015: \$521,188).

The Company paid fully franked dividends totalling 5 cents per share during the year.

Subsequent to 30 June 2016, the Company declared an ordinary fully franked dividend of 3 cents per share.

During the current financial year, the Company reduced its cash holdings from \$6.68m last year to \$2.29m at year end and correspondingly there was an increase in financial assets from \$27.43m last year to \$40.32m at year end.

The return to shareholders (the change in the Net Tangible Assets/share plus dividends paid) was 5.9% for the year.

Dividends

A fully franked interim dividend of 2 cents per share was paid in April 2016. A fully franked final dividend of 2 cents per share and a fully franked special dividend of 1 cent per share were paid in October 2015.

Events occurring after the reporting period

The Board has declared fully franked dividends of 3 cents per share, payable on 2 November 2016.

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

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Directors' Report
For the year ended 30 June 2016

Directors' Report (continued)

Future Developments, Prospects and Business Strategies

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

Environmental regulations

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

Information on directors

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

Experience and special responsibilities

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

Matthew Kidman LLB, BEC, GradDip App Fin (Independent Non-executive Director)

Experience and special responsibilities

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

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

Paul Jensen B.Com, FAICD (Independent Non-executive Director)

Experience and special responsibilities

Paul Jensen is an experienced director, with over 30 years of international experience in the finance industry. He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor of Commerce and Administration, in accounting and commercial law. Mr Jensen was previously Managing Director of Clime Investment Managed Limited and HFA Holdings Limited and he held senior executive positions with Lend Lease Limited and Travelex Limited. While with the Lloyds TSB banking group he worked in their investment banking divisions in New Zealand, United Kingdom and Australia.

Mr Jensen is a professional Non-executive Director and business advisor. He is currently a Director of ASX listed companies; Future Generation Investment Company Limited, Hunter Hall Global Value Limited and WAM Capital Limited. He is the chairman of the not-for-profit Watarrka Foundation Limited.

Mr Jensen has been a Director of Sandon Capital Investments Limited since November 2013 and is Chair of the Audit and Risk Committee.

Company Secretary

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

Experience and special responsibilities

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies. Prior to establishing Mertons, Mr Licciardo was Company Secretary of the Transurban Group (2004-07) and Australian Foundation Investment Company Limited (1997-04). Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria, former Chairman of the Melbourne Fringe Festival, a fellow of GIA, the Australian Institute of Company Directors (AICD) and a Director of ASX listed company Frontier Digital Ventures, as well as several unlisted public and private companies.

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Directors' Report
For the year ended 30 June 2016

Information on directors (continued)

	Directors' Meeting		Audit & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Gabriel Radzynski	5	4	2*	2*
Matthew Kidman	5	4	2	2
Paul Jensen	5	5	2	2
Total Meetings Held	5	5	2	2

* In attendance ex-officio

Remuneration report

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

Nature and amounts of remuneration

Pursuant to the prospectus, dated 11 November 2013, the maximum total remuneration of the Directors has been set at \$300,000 per annum to be divided among the Directors, in such proportions as they agree having regard to their duties and responsibilities in their role as director. The directors do not currently intend to pay remuneration above \$85,000. The Board will seek shareholder approval should it wish to increase this amount. Additional remuneration may be paid in accordance with the Company's Constitution.

The Directors do not receive any other benefits or remuneration, other than Directors' fees and statutory superannuation other than as disclosed in Note 18. The remuneration of the directors is not linked to the performance of the Company.

Where specialist services beyond the normal expectations of a Non-Executive Director are provided to the Company, payment will be made on a normal commercial basis.

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

	Short Term Employee Benefits Cash salary and fees	Post Employment Benefits Superannuation	Total
	\$	\$	\$
30 June 2016			
Gabriel Radzynski	9,132	868	10,000
Matthew Kidman	22,831	2,169	25,000
Paul Jensen*	25,000	-	25,000
	<u>56,963</u>	<u>3,037</u>	<u>60,000</u>
30 June 2015	\$	\$	\$
Gabriel Radzynski	9,132	868	10,000
Matthew Kidman	22,831	2,169	25,000
Paul Jensen*	25,000	-	25,000
	<u>56,963</u>	<u>3,037</u>	<u>60,000</u>

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

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2016

Directors' Report (continued)

Remuneration report (continued)

The Company has no employees other than Non Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

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

	Balance 1 July 2015	Net Acquisition/ (Disposal)	Balance 30 June 2016
2016			
Shares			
Gabriel Radzynski	329,938	43,403	373,341 *
Paul Jensen	221,987	20,453	242,440
Matthew Kidman	102,222	21,111	123,333

** Includes indirect interest.*

Indemnification and insurance of officers

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

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

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

Non-Audit Services

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

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

Fees paid to the Manager

Fees paid to the Manager by the Company during the year of \$1,300,908 are disclosed in Note 19 of the financial statements.

Rounding of amounts

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

Sandon Capital Investments Limited
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Directors' Report
For the year ended 30 June 2016

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 9.

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

A handwritten signature in black ink, appearing to be 'G/R' followed by a stylized flourish.

Gabriel Radzynski
Chairman

Sydney
30 September 2016

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SANDON CAPITAL INVESTMENTS LIMITED
ABN 31 107 772 467**

In relation to the independent audit for the year ended 30 June 2016, I declare that to the best of my knowledge and belief there have been:

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

This declaration is in respect of Sandon Capital Investments Limited.



S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

30 September 2016

Sandon Capital Investments Limited
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Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	30 June 2016 \$	30 June 2015 \$
Net realised and unrealised gains/(losses) on financial assets		3,719,972	(862,460)
Other revenue from operating activities	3	933,815	1,859,471
Total Revenue		4,653,787	997,011
Management fees	19	(515,961)	(450,017)
Performance fees	19	(651,728)	-
Directors' fees	18	(62,463)	(62,500)
Brokerage expense		(83,876)	(90,162)
Company secretarial fees		(33,991)	(40,270)
Custody fees		(20,893)	(28,616)
ASX listing and chess fees		(40,228)	(46,670)
Share registry fees		(50,094)	(65,691)
Legal fees		(6,336)	(11,156)
Accounting fees	19	(44,521)	(50,366)
Audit fees	5	(52,799)	(39,416)
Taxation fees		(55,120)	(71,982)
Other operating expenses		(55,220)	(44,815)
Total expenses		(1,673,230)	(1,001,661)
Profit/(loss) before income tax		2,980,557	(4,650)
Income (expense)/tax benefit	4	(767,909)	525,838
Profit attributable to members of the Company		2,212,648	521,188
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,212,648	521,188
Basic Earnings per share (cents per share)	7	5.30	1.48
Diluted Earnings per share (cents per share)	7	5.30	1.48

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Financial Position
As at 30 June 2016

	Notes	30 June 2016 \$	30 June 2015 \$
Assets			
Cash and cash equivalents	8	2,291,453	6,680,152
Trade and other receivables	9	153,932	246,262
Prepayments		9,326	15,613
Financial assets	10	40,319,990	27,431,026
Deferred tax assets	11	261,934	1,326,450
Total assets		43,036,635	35,699,503
Liabilities			
Trade and other payables	13	821,733	133,395
Deferred tax liabilities	12	386,454	726,714
Total liabilities		1,208,187	860,109
Net assets		41,828,448	34,839,394
Equity			
Issued capital	14	42,426,953	35,443,889
Profits appropriation reserve	15	473,001	467,011
Accumulated losses	16	(1,071,506)	(1,071,506)
Total equity		41,828,448	34,839,394

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited

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Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Issued Capital	Accumulated losses	Profits Reserve	Total Equity
		\$	\$	\$	\$
Balance at 1 July 2014		34,273,166	-	299,108	34,572,274
Profit for the year attributable to the owners of the Company		-	521,188	-	521,188
Transfer to profits reserve		-	(1,592,694)	1,592,694	-
Shares issued via DRP		89,367	-	-	89,367
Shares issued via exercise of options		1,081,356	-	-	1,081,356
Dividends provided or paid		-	-	(1,424,791)	(1,424,791)
Balance at 30 June 2015	14	35,443,889	(1,071,506)	467,011	34,839,394
Profit for the year attributable to the owners of the Company		-	2,212,648	-	2,212,648
Transfer to profits reserve	15	-	(2,212,648)	2,212,648	-
Shares issued via DRP		186,334	-	-	186,334
Shares issued via exercise of options		5,000	-	-	5,000
Shares issued via share purchase plan & placement		6,893,588	-	-	6,893,588
Dividends provided or paid	6	-	-	(2,206,658)	(2,206,658)
Cost of raising capital, net of tax		(101,858)	-	-	(101,858)
Balance at 30 June 2016	14	42,426,953	(1,071,506)	473,001	41,828,448

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Statement of Cash Flows
For the year ended 30 June 2016

	Notes	30 June 2016 \$	30 June 2015 \$
Cash flows from operating activities			
Proceeds from sale of investments		15,850,098	21,399,556
Payments for investments		(29,617,974)	(32,342,701)
Dividends and capital returns received		5,238,245	2,475,310
Interest received		194,617	430,660
Other income received		77,656	31,455
Management fees (GST inclusive)		(505,444)	(496,375)
Brokerage expense (GST inclusive)		(83,876)	(98,958)
Payment of other operating expenses		(274,784)	(413,593)
Net cash used in operating activities	20	<u>(9,121,462)</u>	<u>(9,014,646)</u>
Cash flows from financing activities			
Proceeds from issue of new shares - share purchase plan & placement		6,893,588	-
Proceeds from issue of new shares - options exercised		5,000	1,081,356
Cost of raising capital		(145,501)	-
Dividends paid net of re-investment		(2,020,324)	(1,335,424)
Net cash provided/(used in) by financing activities		<u>4,732,763</u>	<u>(254,068)</u>
Net decrease in cash and cash equivalents		(4,388,699)	(9,268,714)
Cash and cash equivalents at the beginning of the year		6,680,152	15,948,866
Cash and cash equivalents at end of the year	8	<u><u>2,291,453</u></u>	<u><u>6,680,152</u></u>
Non-cash transactions:			
Shares issued via dividend reinvestment plan		<u>186,334</u>	<u>89,367</u>

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
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Notes to the Financial Statements
For the year ended 30 June 2016

1. Basis of preparation

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

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

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

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

The financial report was approved for release by the Board of Directors on 30 September 2016.

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

2. Statement of Significant Accounting Policies

a) Financial instruments

Recognition, Classification and Measurement

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

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

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition

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

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Notes to the Financial Statements
For the year ended 30 June 2016

2. Statement of Significant Accounting Policies (continued)

b) Cash and cash equivalents

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

c) Revenue and Other Income

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

d) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are recognised at cost, less any provision for impairment. Sale of securities that are unsettled at reporting date are normally settled within two business days of the trade date.

e) Trade and other payables

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

f) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

g) Income tax

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

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

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

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

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

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

h) Earnings per Share (EPS)

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

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

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2. Statement of Significant Accounting Policies (continued)

i) Issued Capital

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

j) Profits reserve

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

k) Dividends

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

l) Critical accounting estimates and judgements

All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation. There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2016.

m) Goods and Services Tax (GST)

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

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

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

n) New and amended accounting policies adopted

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

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 (AASB 139) - *Financial Instruments: Recognition and Measurement*. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Company has not early adopted AASB 9. This is not expected to have a significant impact on the Company's financial statements as the Company does not elect any investments as not held for trading.

o) Comparative figures

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

p) Impairment of assets

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

q) Rounding of amounts

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

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	30 June 2016	30 June 2015
	\$	\$
3. Other revenue		
Dividend income	661,327	1,405,580
Trust distributions	47,956	47,198
Interest income	194,832	378,110
Other income	29,700	28,583
	<u>933,815</u>	<u>1,859,471</u>

4. Income tax

Deferred income tax (benefit)/expense comprises:

Decrease/(Increase) in deferred tax assets	1,108,169	(1,068,601)
(Decrease)/Increase in deferred tax liabilities	(340,260)	542,763
	<u>767,909</u>	<u>(525,838)</u>

Current income tax benefit

(Loss)/profit from continuing operations before income tax expense	2,980,557	(4,650)
Prima facie tax expense on (loss)/profit from ordinary activities at 30%	894,167	(1,395)
Imputation credit gross up	54,770	167,554
Franking credit offset	(182,568)	(558,513)
Other deductible items	(3,981)	5,381
Underprovision in prior year	5,520	(138,865)
	<u>767,909</u>	<u>(525,838)</u>

Effective tax rate 25.8%

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

5. Remuneration of auditors

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

Pitcher Partners

Agreed fees for audit and review of financial reports	48,206	-
Other assurance services	4,593	-
	<u>52,799</u>	<u>-</u>

Moore Stephens

Agreed fees for audit and review of financial reports	-	39,416
	<u>-</u>	<u>39,416</u>

6. Dividends

a) Dividends paid during the year

The following dividends were paid or provided for during the year:

	Amount per security (cents)	Franked amount per security
Final and special fully franked dividend for the year ended 30 June 2015 paid on 30 October 2015	3.0	3.0
Interim fully franked dividend for the year ended 30 June 2016 paid 26 April 2016	2.0	2.0

	30 June 2016	30 June 2015
Final and special fully franked dividend of 3.0 per share paid 30 October 2015 (2015: Special fully franked dividend of 2.0 cents per share paid on 6 November 2014).	1,321,454	700,789
Interim fully franked dividend of 2.0 cents per share paid 26 April 2016 (2015: Interim fully franked dividend of 2.0 cents per share for the year ended 30 June 2015 paid on 12 June 2015).	885,204	724,002
	<u>2,206,658</u>	<u>1,424,791</u>

b) Dividends declared but not recognised at year end

In addition to the above dividends, since the end of the year, the Directors have declared a 3 cents per share fully franked dividend, which has not been recognised as a liability at the end of the financial year.

Final fully franked dividend for 2016 of 3 cents (2015: Final fully franked dividend of 2 cents).	1,327,806	880,969
Special fully franked dividend for 2016 of nil (2015: Special fully franked dividend of 1 cent).	-	440,484
	<u>1,327,806</u>	<u>1,321,453</u>

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6. Dividends (Continued)	30 June 2016	30 June 2015
	\$	\$
(c) Dividend franking account		
Balance at the beginning of the year	3,372,776	3,424,888
Franking credits on dividends received	182,568	558,512
Franked dividends paid	(945,711)	(610,624)
Balance available for subsequent reporting periods	2,609,633	3,372,776
Franked dividend declared but not yet recognised as a liability at 30 June 2016	(569,060)	(465,558)
Balance available for subsequent reporting periods	2,040,574	2,907,218

Franking credits (cents per share) 4.61

The franking balance of 4.61 cents per share supports the payment of a fully franked dividend of 10.76 cents per share, should there be sufficient profit reserves available.

Total number of fully paid shares issued as at 30 June 2016 is 44,260,206.

7. Earnings per share

Profit after income tax used in the calculation of basic and diluted earnings per share	2,212,648	521,188
	No. shares	No. shares
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	41,709,744	35,188,480
Basic earnings per share (cents per share)	5.30	1.48

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

	30 June 2016	30 June 2015
8. Cash and cash equivalents		
Cash at bank	1,783,331	1,178,303
Term Deposits	508,122	5,501,849
	2,291,453	6,680,152
9. Trade and other receivables		
Outstanding settlements	26,230	188,440
Interest receivable	215	6,104
Dividend and New Zealand withholding tax receivable	51,521	45,930
GST receivable	51,546	4,010
Other receivable	24,420	1,778
	153,932	246,262

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

10. Financial assets

Financial assets held-for-trading comprise of:

Listed investments	40,113,541	27,223,385
Unlisted investments	206,449	207,641
	40,319,990	27,431,026

11. Deferred tax asset

	Opening Balance	Under/(Over) Provision	Charged to Profit or Loss	Charged directly to equity	Closing Balance 30 June 2016
	\$	\$	\$	\$	\$
Accrued expense movements	10,815	861	38,342	-	50,018
Tax losses recognised	1,099,640	7,665	(1,075,305)	-	32,000
Capitalised costs	215,995	(3,006)	(76,727)	43,654	179,916
Balance as at 2016	1,326,450	5,520	(1,113,690)	43,654	261,934

12. Deferred tax liability

	Opening Balance	Charged to Profit or Loss	Closing Balance 30 June 2016
	\$	\$	\$
Accrued income movements	8,626	5,714	14,340
Fair value adjustments	718,088	(345,975)	372,114
Balance as at 2016	726,714	(340,260)	386,454

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	30 June 2016	30 June 2015
	\$	\$
13. Trade and Other Payables		
Management fee payable	48,830	38,313
Performance fee payable	699,415	-
Outstanding settlements	9,855	42,141
GST payable	-	1,437
Other payables	63,633	51,504
Total trade and other payables	<u>821,733</u>	<u>133,395</u>

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

14. Contributed equity and movements in total equity

	30 June 2016	30 June 2016	30 June 2015	30 June 2015
	\$	Number	\$	Number
Share capital				
Fully paid ordinary shares	42,426,953	44,260,206	35,443,889	36,210,048
Movements in shares on issue: □				
Opening balance	35,443,889	36,210,048	34,273,166	35,029,468
Shares issued - dividend reinvested	186,334	211,743	-	99,224
Shares issued - options exercised	5,000	5,000	1,170,723	1,081,356
Shares issued - share placement and purchase plan	6,893,588	7,833,415	-	-
Cost of raising capital net of tax	(101,858)	-	-	-
Closing balance	<u>42,426,953</u>	<u>44,260,206</u>	<u>35,443,889</u>	<u>36,210,048</u>

On 22 October 2015, 4,204,164 fully paid shares were allotted at \$0.88 per share under a share placement.

On 26 October 2015, 3,629,251 fully paid shares were allotted at \$0.88 per share under the share purchase plan.

On 27 October 2015, 211,743 fully paid shares were allotted at \$0.88 per share as part of the dividend reinvestment plan.

During the year, 5,000 options were exercised at \$1.00 per share. All remaining options expired on 24 July 2015.

Terms and conditions of contributed equity:

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

Capital management

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

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

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

Dividend Policy

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

Dividends are paid on a six monthly basis.

The Company has a Dividend Reinvestment Plan. The Dividend Reinvestment Plan will not operate for the 3 cents final ordinary dividend declared on 18 August 2016.

	30 June 2016	30 June 2015
	\$	\$
15. Profits reserve		
Movement in profit reserve		
Balance as at beginning of the period	467,011	299,108
Transfer from retained earnings	2,212,648	1,592,694
Dividend paid	<u>(2,206,658)</u>	<u>(1,424,791)</u>
	<u>473,001</u>	<u>467,011</u>
Profit reserve (cents per share)	1.07	1.29

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	30 June 2016	30 June 2015
	\$	\$
16. Accumulated losses		
Balance as at beginning of the period	(1,071,506)	-
Profit for the year	2,212,648	521,188
Transfer to profit reserve	(2,212,648)	(1,592,694)
	<u>(1,071,506)</u>	<u>(1,071,506)</u>

17. Financial risk management

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

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

	30 June 2016	30 June 2015
	\$	\$
Financial Assets		
Cash and cash equivalents	2,291,453	6,680,152
Trade and other receivables	153,932	246,262
Prepayments	9,326	15,613
Financial assets at fair value through profit or loss:		
Listed investments	40,113,541	27,223,385
Unlisted investments	206,449	207,641
	<u>42,774,701</u>	<u>34,373,053</u>
Financial liabilities		
Trade and other payables	821,733	133,395
	<u>821,733</u>	<u>133,395</u>

(a) Fair value hierarchy

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

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

As at 30 June 2016, the Company has one investment that is not listed on the New Zealand or Australian Securities Exchange. Foundation Life (NZ) Limited's fair value has been determined as Net Asset Value/unit as provided by the Trustee as at 30 June 2016. Foundation Life (NZ) is a level 2 investment.

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2016.

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

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

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17. Financial risk management (continued)

(a) Fair value hierarchy (continued)

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

(b) Objectives, strategies, policies and processes

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

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

(c) Market risk

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

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

(i) Price risk

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

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

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

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

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

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

	30 June 2016 \$	30 June 2015 \$
Financial assets-held for trading		
Listed investments	40,113,541	27,223,385
Unlisted investments	<u>206,449</u>	<u>207,641</u>
	<u>40,319,990</u>	<u>27,431,026</u>
Price risk sensitivity analysis		
Change in Profit before tax		
– Increase in portfolio prices by 5%	2,016,000	1,371,551
– Decrease in portfolio prices by 5%	(2,016,000)	(1,371,551)

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

(ii) Foreign exchange risk

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

The Company's two investments in New Zealand have a total direct translation exposure at 30 June 2016 of \$2,333,926.

The Company has the ability to hedge foreign exchange exposure. During the financial year 2016 AUD/NZD exposure was not hedged.

The New Zealand dollar appreciated against the Australian dollar exchange rate in financial year 2016 and the exposure made a positive contribution to the portfolio's return.

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17. Financial risk management (continued)

(iii) Interest rate risk

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

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

	30 June 2016	30 June 2015
Change in Profit / Equity	\$	\$
– Increase in interest rates by 0.5%	11,457	33,401
– Decrease in interest rates by 0.5%	(11,457)	(33,401)

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

	Weighted average effective interest	Floating interest rate exposure	Fixed interest rate exposure	Total
2016				
		\$	\$	\$
Financial assets				
Cash and cash equivalents	1.71%	2,291,453	-	2,291,453
Investment in notes			1,236,814	1,236,814
Total financial assets exposure		<u>2,291,453</u>	<u>1,236,814</u>	<u>3,528,267</u>
2015				
Financial assets				
Cash and cash equivalents	2.76%	6,680,152	-	6,680,152
Investment in notes			1,293,188	1,293,188
Total financial assets exposure		<u>6,680,152</u>	<u>1,293,188</u>	<u>7,973,340</u>

(d) Counter party risk

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

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

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

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

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

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

(e) Concentrations of risk

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

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

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

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17. Financial risk management (continued)

(f) Liquidity risk

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

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

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

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

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

18. Directors remuneration and holdings

(a) Names and positions held of Directors:

Directors

Gabriel Radzynski	Non-executive Director & Chairman
Matthew Kidman	Independent Non-executive Director
Paul Jensen	Independent Non-executive Director

(b) Aggregate compensation made to Key Management Personnel

	Short term benefits	Post employment benefits	Total
	\$	\$	\$
Year Ended 30 June 2016	56,963	3,037	60,000
Year Ended 30 June 2015	56,963	3,037	60,000

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

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

(i) Loan transactions and balances

The Company has not made, guaranteed or secured, directly or indirectly any loans to key management personnel or their related entities during the year (2015: \$Nil).

(ii) Shareholdings

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

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

	Balance 1 July 2015	Net Acquisition/ (Disposal)	Balance 30 June 2016
	\$	\$	\$
2016			
Shares			
Gabriel Radzynski	329,938	43,403	373,341 [^]
Paul Jensen	221,987	20,453	242,440
Matthew Kidman	102,222	21,111	123,333

[^] Includes indirect interest

	Balance 1 July 2015	Expiration of options	Balance 30 June 2016
	\$	\$	\$
2016			
*Options			
Gabriel Radzynski	87,500	(87,500)	-
Paul Jensen	275,000	(275,000)	-
Matthew Kidman	100,000	(100,000)	-

* All options expired on 24th July 2015.

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18. Directors remuneration and holdings (continued)

	Balance 1 July 2014 \$	Net Acquisition/ (Disposal) \$	Balance 30 June 2015 \$
2015			
Shares			
Gabriel Radzynski	202,995	126,943	329,938
Paul Jensen	150,000	71,987	221,987
Matthew Kidman	100,000	2,222	102,222
Options			
Gabriel Radzynski	200,000	(112,500) *	87,500
Paul Jensen	150,000	125,000	275,000
Matthew Kidman	100,000	-	100,000

* These options were exercised.

19. Sandon Capital Pty Ltd

(a) Investment management agreement

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

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

(b) Management and performance fees

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

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

The Manager agreed with the Company (for the purposes of calculating its performance fee), it would only be entitled to a performance fee when the NTA per share of the Company was equal to or greater than \$1 per share adjusted for dividends.

In the financial year 2016, the NTA/share moved above \$1.00 and accordingly the Manager was entitled to receive a performance fee.

	30 June 2016 \$	30 June 2015 \$
Management fees (GST inclusive)*	553,714	482,945
Performance fees (GST inclusive)*	699,415	-
	<u>1,253,129</u>	<u>482,945</u>

(c) Accounting fee

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

	30 June 2016 \$	30 June 2015 \$
Accounting fees (GST inclusive)*	47,779	50,761
	<u>47,779</u>	<u>50,761</u>

At 30 June 2016, \$748,245 remains payable by the Company to Sandon Capital Pty Ltd (2015: \$38,313 GST inclusive).

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

Sandon Capital Investments Limited
ABN 31 107 772 467
Notes to the Financial Statements
For the year ended 30 June 2016

20. Cash flow information

	30 June 2016	30 June 2015
	\$	\$
(a) Reconciliation of Cash Flow from operating activities with profit after income tax		
Cash Flow from operations after income tax	2,212,648	521,188
Net movement in financial assets held for trading	(13,525,840)	(6,564,282)
Changes in assets and liabilities:		
Decrease/(increase) in receivables	92,330	(89,227)
Decrease in prepayments	6,287	774
Decrease/(increase) in deferred tax assets	1,064,516	(1,067,973)
Increase/(decrease) in payables	688,338	(1,272,363)
Increase/(decrease) in deferred tax liabilities	340,260	(542,763)
Net cash used in operating activities	<u>(9,121,462)</u>	<u>(9,014,646)</u>

21. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 342. Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$83,876 (2015: \$98,958).

22. Events occurring after the reporting period

The Board has declared a fully franked final dividend of 3.0 cents per share, payable on 2 November 2016.

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.

23. Contingencies and commitments

There are no contingent assets or liabilities as at 30 June 2016 (2015: Nil). As at 30 June 2016, the Company had nil commitments (2015: Nil).

24. Segment information

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

Sandon Capital Investments Limited

ABN 31 107 772 467

Directors' Declaration

For the year ended 30 June 2016

Directors' Declaration

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

(a) the financial statements and notes, as set out on pages 10 to 25 are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards which is stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer of the Manager, Sandon Capital Pty Limited declaring that:

(i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

(ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

(iii) the financial statements and notes for the year give a true and fair view.

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



Gabriel Radzynski
Chairman

Sydney
30 September 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SANDON CAPITAL INVESTMENTS LIMITED
ABN 31 107 772 467**

Report on the Financial Report

We have audited the accompanying financial report of Sandon Capital Investments Limited, which comprises the financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of Sandon Capital Investments Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SANDON CAPITAL INVESTMENTS LIMITED
ABN 31 107 772 467**

Independence

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

Opinion

In our opinion:

- a) the financial report of Sandon Capital Investments Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 7 of the directors' report for the year ended 30 June 2016. The directors of Sandon Capital Investments Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Sandon Capital Investments Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



S M WHIDDETT
Partner

30 September 2016



PITCHER PARTNERS
Sydney

Sandon Capital Investments Limited
ABN 31 107 772 467
ASX Additional Information
For the year ended 30 June 2016

ASX Additional Information

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

Substantial shareholders (as at 31 August 2016)

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

Substantial ordinary shareholders	No. of shares	% of total
Victor John Plummer	3,000,000	6.78%
Dynasty Peak Pty Limited	2,501,138	5.65%

Distribution of shareholders (as at 30 June 2016)

Category	No. of shareholders
1 – 1,000	167
1,001 – 5,000	120
5,001 – 10,000	153
10,001 – 100,000	621
100,001 and over	61
	<hr/> 1,122

The number of shareholdings held in less than marketable parcels is 3,113.

Twenty largest shareholders - Ordinary shares (as at 30 June 2016)

	Number of ordinary shares held	Percentage of issued capital held
Victor John Plummer	3,000,000	6.78%
Dynasty Peak Pty Ltd	2,501,138	5.65%
HSBC Custody Nominees (Australia) Ltd	2,323,869	5.25%
Donwood Pty Ltd	1,034,091	2.34%
Manatee Pty Ltd	902,552	2.04%
Heathers Super Pty Ltd	587,045	1.33%
Navigator Australia Ltd	584,514	1.32%
English Family Super Fund Pty Ltd	529,109	1.20%
PNB Paribas Noms Pty Ltd	426,114	0.96%
Robert Nairn Pty Ltd	419,501	0.95%
LIC Investments Pty Ltd	400,000	0.90%
John Stephen Michael Heathers & Margaret Jean Heathers	392,345	0.89%
William Blomfield	367,045	0.83%
Australian Executor Trustees Ltd	355,000	0.80%
JE & FJ Cunningham Superannuation Pty Ltd	317,045	0.72%
Piaster Pty Ltd	315,744	0.71%
Great D Pty Ltd	285,000	0.64%
Robyn Robinson Holdings Pty Ltd	267,045	0.60%
Mrs Robyn Robinson	267,045	0.60%
Mr Donald Gordon Mackenzie & Mrs Gwenneth Edna Mackenzie	258,263	0.58%
Bruce Robertson Catto & Glenys Louise Catto	250,100	0.57%
	<hr/> 15,782,565	<hr/> 35.64%

Stock Exchange Listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

Sandon Capital Investments Limited

ABN 31 107 772 467

ASX Additional Information

For the year ended 30 June 2016

Corporate Governance Statement

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

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

Company particulars

Registered Office

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

Stock exchange listing

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

Directors

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

Notice of Annual General Meeting

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

History House Auditorium
133 Macquarie Street
Sydney NSW 2000
3.30pm on Tuesday 22nd November 2016

Company Secretary

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

Auditor

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

Share Registrar

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

Tax Advisors

BDO Australia
Level 11, 1 Margaret Street
Sydney NSW 2000