

SANDON CAPITAL

Sandon Capital Investments Limited
ABN 31 107 772 467

Appendix 4D - HALF YEAR REPORT For the half year ended 31 December 2016

Results For Announcement to the Market
All comparisons to the half year ended 31 December 2015

	\$	Movement Up/(down)	Movement Up/(down) %
Revenue from ordinary activities	6,795,586	Up	101%
Profit from operating activities before tax attributable to members	5,062,774	Up	108%
Profit from operating activities after tax attributable to members	3,597,977	Up	103%
Net profit for the period attributable to members	3,597,977	Up	103%

Interim Dividend	Cents per share	Franked amount per share	Tax rate of franking
2017 Interim dividend	3.5	3.5	30%
Ex-dividend date			18 May 2017
Record date			19 May 2017
Payment date			31 May 2017

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will not apply to this fully franked dividend.

Dividends paid during the period	Cents per share	Franked amount per share	Tax rate for franking
2016 Final dividend cents per share paid 2 November 2016	3.00	3.00	30%

Net tangible Assets Per Share	31 December 2016 Cents	31 December 2015 Cents
Net tangible assets per share (before tax)	103.01	94.40
Net tangible assets per share (after tax)	99.42	96.26

Dividends of 3 cents per share were paid during the period.

This report is based on the Half Year Financial Report which has been subjected to independent review by Auditors, Pitcher Partners. All documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2016 Annual Financial Report

Sandon Capital Investments Limited
ABN 31 107 772 467

Financial Report
For the half year ended 31 December 2016

Sandon Capital Investments Limited
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Financial Report
For the half year ended 31 December 2016

Table of Contents

Directors' Report to shareholders	1
Auditor's Independence Declaration	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position.....	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration.....	12
Independent Audit Report to the Members of Sandon Capital Investments Limited	13
Company Particulars	15

Sandon Capital Investments Limited
ABN 31 107 772 467

Directors' Report to shareholders
For the half year ended 31 December 2016

The Directors of Sandon Capital Investments Limited ("the Company") present their report together with the condensed interim financial statements of the Company for the half year ended 31 December 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 half year and up to the date of this report:

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

Company secretary

Mark Licciardo and Chris Lobb were joint Company Secretaries during the reporting period and up to the date of this report.
Joint secretary Chris Lobb was appointed on 18 October 2016.

Principal activities

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

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

The Company may invest in cash, term deposits, unlisted and listed securities and debt instruments. As at 31 December 2016, approximately 97% (June 16: 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 \$5,062,774 (2015: \$2,431,226) rose due to an increase in the market value of investments as at 31 December 2016.

The Company's net profit after tax is up 103% for the half year to \$3,597,977 (2015: \$1,775,024).

During the current financial period, the Company reduced its cash holdings from \$2.3m in June to \$1.3m at half year end and correspondingly there was an increase in financial assets from \$40.3m in June to \$45.6m at half year end.

The return to shareholders for the 6 months period (the change in the Net Tangible Assets/share plus dividends paid) was 10.9%

Dividends

Subsequent to 31 December 2016, the Company declared an ordinary fully franked dividend of 3.5 cents per share. This dividend will be paid to shareholders on 31 May 2017.

A fully franked final dividend of 3 cents per share for the financial year ending 30 June 2016 was paid in November 2016. Total dividends paid during the 6 month period was \$1,327,806. The dividend re-investment plan was not open for this dividend.

Sandon Capital Investments Limited
ABN 31 107 772 467

Directors' Report to shareholders
For the half year ended 31 December 2016

Director's Report (continued)

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).

Events occurring after the reporting period

The Board has declared an interim fully franked dividend of 3.5 cents per share, payable on 31 May 2017.

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 3.

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



Gabriel Radzynski
Chairman

Sydney
27 February 2017

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

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

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

This declaration is in respect of Sandon Capital Investments Limited.



Scott Whiddett
Partner

PITCHER PARTNERS
Sydney

27 February 2017

Sandon Capital Investments Limited
ABN 31 107 772 467

Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Net realised and unrealised gains on financial assets		6,459,956	2,842,809
Other revenue from operating activities	2	335,630	536,929
Total Revenue		6,795,586	3,379,738
Management fees		(298,627)	(247,700)
Performance fees		(1,157,281)	(411,737)
Directors' fees		(31,250)	(31,250)
Brokerage expense		(49,223)	(44,470)
Company secretarial fees		(18,257)	(18,652)
Custody fees		(10,477)	(10,508)
ASX listing and CHES fees		(20,777)	(22,064)
Share registry fees		(14,435)	(29,217)
Legal fees		(13,481)	(6,336)
Accounting fees		(22,332)	(22,038)
Audit fees		(30,439)	(29,468)
Taxation fees		(37,632)	(36,233)
Other operating expenses		(28,601)	(38,840)
Total expenses		(1,732,812)	(948,512)
Profit before Income Tax		5,062,774	2,431,226
Income expense		(1,464,797)	(656,202)
Profit attributable to members of the Company	6	3,597,977	1,775,024
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,597,977	1,775,024
Basic Weighted Average Earnings per share (cents per share)		8.13	4.53
Diluted Weighted Average Earnings per share (cents per share)		8.13	4.53

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
ABN 31 107 772 467

Statement of Financial Position
As at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
Assets			
Cash and cash equivalents		1,347,555	2,291,453
Trade and other receivables		81,526	153,932
Prepayments		16,415	9,326
Financial assets	7	45,606,100	40,319,990
Deferred tax assets		161,999	261,934
Total assets		<u>47,213,595</u>	<u>43,036,635</u>
Liabilities			
Trade and other payables		1,363,661	821,733
Current tax liability		1,132	-
Deferred tax liabilities		1,750,183	386,454
Total liabilities		<u>3,114,976</u>	<u>1,208,187</u>
Net assets		<u>44,098,619</u>	<u>41,828,448</u>
Equity			
Issued capital	4	42,426,953	42,426,953
Profit appropriation reserve	5	3,632,153	473,001
Accumulated losses	6	(1,960,487)	(1,071,506)
Total equity		<u>44,098,619</u>	<u>41,828,448</u>

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
ABN 31 107 772 467

Statement of Changes in Equity
For the half year ended 31 December 2016

	Notes	Issued Capital \$	Retained accumulated losses \$	Profit Reserve \$	Total Equity \$
Balance at 1 July 2015		35,443,889	(1,071,506)	467,011	34,839,394
Profit for the year		-	1,775,024	-	1,775,024
Transfer to profits reserve		-	(1,775,024)	1,775,024	-
Shares Issued via DRP		186,359	-	-	186,359
Shares issued via exercise of options		5,000	-	-	5,000
Shares issued via share purchase plan		6,893,588	-	-	6,893,588
Dividends provided or paid		-	-	(1,321,453)	(1,321,453)
Cost of raising capital, net of tax		(101,857)	-	-	(101,857)
Balance at 31 December 2015		42,426,979	(1,071,506)	920,582	42,276,029
Balance at 1 July 2016		42,426,953	(1,071,506)	473,001	41,828,448
Profit for the year attributable to the owners of the Company		-	3,597,977	-	3,597,977
Transfer to profits reserve	6	-	(4,486,958)	4,486,958	-
Dividends provided or paid	3	-	-	(1,327,806)	(1,327,806)
Balance at 31 December 2016	5	42,426,953	(1,960,487)	3,632,153	44,098,619

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
ABN 31 107 772 467

Statement of Cash Flows
For the half year ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	15,145,120	6,782,117
Payments for investments	(13,821,769)	(14,504,384)
Dividends and capital return received	328,321	889,325
Interest received	30,958	113,386
Other income received	7,012	1,778
Management fees (GST inclusive)	(347,457)	(260,140)
Performance fee (GST inclusive)	(699,415)	-
Brokerage expense (GST inclusive)	(49,223)	(48,806)
Payment of other operating expenses	(209,639)	(167,749)
Net cash used in operating activities	383,908	(7,194,473)
Cash flows from financing activities		
Proceeds from issue of new shares – share purchase plan & placement	-	6,893,562
Proceeds from issue of new shares - options exercised	-	5,000
Cost of raising capital	-	(145,511)
Dividends paid net of re-investment	(1,327,806)	(1,135,095)
Net cash (used in)/provided by financing activities	(1,327,806)	5,617,956
Net decrease in cash and cash equivalents	(943,898)	(1,576,517)
Cash and cash equivalents at the 1 July 2016	2,291,453	6,680,152
Cash and cash equivalents at end of the year	1,347,555	5,103,635

The accompanying notes form part of these financial statements.

Sandon Capital Investments Limited
ABN 31 107 772 467

Notes to the Financial Statements
For the half year ended 31 December 2016

1. Summary of significant accounting policies

These financial statements and notes for the half year represents those of Sandon Capital Investments Limited (“the Company”).

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

Basis of preparation

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

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 2016 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.

There are no new and revised accounting requirements significantly affecting the half year financial statements. The accounting policies have been consistently applied by the Company throughout the period and are consistent with those applied in the 30 June 2016 Annual Financial 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).

2. Other revenue

	December 2016	December 2015
	\$	\$
Dividend income	281,962	426,005
Trust distributions	7,012	-
Interest income	46,656	110,924
	335,630	536,929

3. Dividends

a) Dividends paid during the year

	Amount per security (cents)	Franked amount per security (cents)
The following dividends were paid or provided for during the half year:		
Final fully franked dividend for the year ended 30 June 2016 paid on 2 November 2016.	3.0	3.0
	December 2016	December 2015
	\$	\$
Final fully franked dividend of 3.0 cents per share paid on 2 November 2016 (2015: Final and special fully franked dividend of 3.0 cents per share paid on 30 October 2015).	1,327,806	1,321,453

Sandon Capital Investments Limited
ABN 31 107 772 467

Notes to the Financial Statements
For the half year ended 31 December 2016

3. Dividends (continued)

b) Dividends not recognised at year end

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

	December 2016	December 2015
	\$	\$
Interim fully franked dividend for 2016 of 3.5 cents (2015: Interim fully franked dividend of 2 cents)	1,549,107	885,204
	31 December 2016	30 June 2016
	\$	\$
(c) Dividend franking account		
Balance at the beginning of the year	2,609,633	3,372,776
Franking credits on dividends received	82,930	182,568
Franked dividends paid	<u>(569,060)</u>	<u>(945,711)</u>
Balance available for subsequent reporting periods	2,123,503	2,609,633
Franked dividend declared but not recognised as liability at 31 December 2016	<u>(663,903)</u>	<u>(569,060)</u>
Balance available for subsequent reporting periods	<u>1,459,600</u>	<u>2,040,573</u>
Franking credits (cents per share)	3.30	4.61

The franking balance of 3.30 cents per share supports the payment of a fully franked dividend of 7.70 cents per share, should there be sufficient profit reserves available.

Total number of fully paid shares issued as at 31 December 2016 is 44,260,206.

4. Issued Capital

	31 December 2016	31 December 2016	30 June 2016	30 June 2016
	\$	Number	\$	Number
(a) Share Capital				
Fully paid ordinary shares	42,426,953	44,260,206	42,426,953	44,260,206
(b) Movements in shares on issue:				
Opening balance	42,426,953	44,260,206	35,443,889	36,210,048
Shares issued – dividend reinvested	-	-	186,334	211,743
Shares issued – options exercised	-	-	5,000	5,000
Share 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>42,426,953</u>	<u>44,260,206</u>

Sandon Capital Investments Limited
ABN 31 107 772 467

Notes to the Financial Statements
For the half year ended 31 December 2016

	31 December 2016 \$	30 June 2016 \$
5. Profits reserve		
Movement in profit reserve		
Balance as at beginning of the period	473,001	467,011
Transfer from retained earnings	4,486,958	2,212,648
Dividend paid	<u>(1,327,806)</u>	<u>(2,206,658)</u>
	<u>3,632,153</u>	<u>473,001</u>
 Profit reserve (cents per share)	 8.21	 1.29
6. Accumulated losses		
Balance as at beginning of the period	(1,071,506)	(1,071,506)
Profit for the period	3,597,977	2,212,648
Transfer to profit reserve	<u>(4,486,958)</u>	<u>(2,212,648)</u>
	<u>(1,960,487)</u>	<u>(1,071,506)</u>

7. Financial instruments measured at fair value

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 31 December 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 31 December 2016. Foundation Life (NZ) is a level 2 investment.

Sandon Capital Investments Limited
ABN 31 107 772 467

Notes to the Financial Statements
For the half year ended 31 December 2016

7. Financial instruments measured at fair value (continued)

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2016.

31 December 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets held for trading:				
Listed investments	45,400,529	-	-	45,400,529
Unlisted investments	-	205,571	-	205,571
	45,400,529	205,571	-	45,606,100

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

30 June 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
	40,113,541	206,449	-	40,319,990

8. Contingencies and commitments

There are no contingent assets or liabilities as at 31 December 2016 (2015: Nil). As at 31 December 2016, the Company had nil commitments (2015: Nil).

9. Capital commitments

There are no capital commitments entered into by the Company as at 31 December 2016 period end (2015: nil)

10. 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.

11. Events occurring after the reporting period

The Board has declared a fully franked interim dividend of 3.5 cents per share, payable on 31 May 2017.

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

Sandon Capital Investments Limited
ABN 31 107 772 467

Directors' Declaration
For the half year 31 December 2016

The Directors of Sandon Capital Investments Limited declare that:

1. The financial statements and notes, as set out on pages 4 to 11, 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 2016 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 the Board of Directors.



Gabriel Radzynski
Chairman

Sydney
27 February 2017

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Sandon Capital Investments Limited ("the company") which comprises the statement of financial position as at 31 December 2016, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the entity comprising Sandon Capital Investments Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

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 entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Sandon Capital Investments Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



SCOTT WHIDDETT
Partner

27 February 2017



PITCHER PARTNERS
Sydney

Company Particulars

Registered Office

Level 5, 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

Company Secretary

Mark Licciardo and Chris Lobb
Mertons Corporate Service Pty Ltd
Level 7, 330 Collins Street
Melbourne VIC 3000

Auditor

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

Share Register

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