

# SANDON CAPITAL

Sandon Capital Investments Limited

ABN 31 107 772 467

## Appendix 4E – PRELIMINARY FINAL REPORT For the full year ended 30 June 2019

### Results For Announcement to the Market *All comparisons to the full year ended 30 June 2018*

	\$	Movement Down	Movement Down %
Revenue from ordinary activities	1,352,606	Down	78%
Loss from operating activities before tax attributable to members	(443,423)	Down	111%
Loss from operating activities after tax attributable to members	(201,711)	Down	105%
Net loss for the period attributable to members	(201,711)	Down	105%

#### Final Dividend

While the scrip takeover bid for Mercantile Investment Company Ltd has been declared unconditional and remains on foot, a final dividend for the year ended 30 June 2019 has not yet been determined. A decision regarding the final dividend will be made once the outcome of the takeover bid is known.

	Cents per share	Franked amount per share	Tax rate for franking
<b>Dividends paid during the period</b>			
2018 Final dividend cents per share paid 2 November 2018	3.5	3.5	27.5%
2019 Interim dividend cents per share paid 28 May 2019	3.5	3.5	27.5%

<b>Net tangible Assets Per Share</b>	<b>30 June 2019 Cents</b>	<b>30 June 2018 Cents</b>
Net tangible assets per share (before tax)	90.27	99.66
Net tangible assets per share (after tax)	89.52	95.72

Dividends of 7.0 cents per share were paid during the period.

Sandon Capital Investments Limited advises that its Annual General Meeting will be held on Thursday 31 October 2019. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) 11 September 2019.

This report is based on the Annual Financial Report that has been audited by Pitcher Partners. All documents comprise the information required by Listing Rule 4.3A. The audit report is included with the Company's Annual Report which accompanies this Appendix 4E.

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

**Annual Report**  
**For the year ended 30 June 2019**

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

**Annual Report  
For the year ended 30 June 2019**

**Table of Contents**

<b>Company Particulars</b>	1
<b>Portfolio Composition</b>	2
<b>Chairman's Letter</b>	3
<b>Directors' Report</b>	5
<b>Auditor's Independence Declaration</b>	13
<b>Statement of Financial Performance</b>	14
<b>Statement of Financial Position</b>	15
<b>Statement of Changes in Equity</b>	16
<b>Statement of Cash Flows</b>	17
<b>Notes to the Financial Statements</b>	18
<b>Directors' Declaration</b>	36
<b>Independent Auditor's Report</b>	37
<b>ASX Additional Information</b>	42

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

**Company Particulars**

**Registered Office**

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

**Stock exchange listing**

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

**Directors**

Gabriel Radzyski – Chairman  
Peter Velez – Independent Non-Executive Director  
Melinda Snowden – Independent Non-Executive Director  
Sir Ron Brierley - Non-Executive Director

**Company Secretary**

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

**Auditor**

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

**Share Register**

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

**Tax Advisors**

BDO Australia  
Level 11, 1 Margaret Street  
Sydney NSW 2000

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

**Portfolio Composition**  
**As at 30 June 2019**

<b>Australian Securities Exchange/New Zealand's Exchange Listed Investments</b>	<b>Total Value \$</b>
AIMS Property Securities Fund	2,019,781
Alliance Resources Ltd	723,111
Alterra Ltd	732,920
Amaysim Australia Ltd	339,687
BCI Minerals Ltd	1,645,013
Boom Logistics Limited	131,851
Cashwerkz Ltd	354,000
Centrepoint Alliance Limited	454,138
City Chic Collective Ltd	3,118,141
Consolidated Operations Group Ltd	6,973,678
Coventry Group Ltd	2,980,384
Fleetwood Corporation Ltd	5,449,580
Gindalbie Metals Ltd	215,905
Heron Resources Ltd	781,031
IDT Australia Ltd	1,821,700
Ignite Limited	341,633
Iluka Resources Ltd	5,356,513
Infigen Energy Ltd	1,080,143
Karoo Energy Ltd	182,496
Mercentile Investment Company Limited	8,212,021
Monash Absolute Investment Company Ltd	1,141,749
Onemarket Ltd	2,169,506
Smiths City Group Ltd (New Zealand)	1,556,710
Spicers Ltd	3,827,132
Tower Ltd	396,357
Universal Coal PLC	1,121,919
Virgin Australia Holdings Limited	118,150
<b>Total</b>	<b>53,245,249</b>
<b>Unlisted Investments</b>	
Foundation Life (NZ) Limited (New Zealand)	348,951
Carbon Conscious Ltd	445,755
Cash and cash equivalents	701,885
<b>Total</b>	<b>54,741,840</b>

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

**Chairman's Letter**  
**For the year ended 30 June 2019**

**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 2019.

**Financial Highlights**

The Company reported a net loss after tax of \$201,711 (2018 profit: \$3,356,443) for the financial year ended 30 June 2019. Revenues decreased by 78% to \$1,352,606 (2018: \$6,052,710) over the same period.

**Dividend Announcement**

While the scrip takeover bid for Mercantile Investment Company Ltd (**Mercantile**) has been declared unconditional and remains on foot, a final dividend for the year ended 30 June 2019 has not yet been determined. A decision regarding the final dividend will be made once the outcome of the takeover bid is known.

**Corporate Update**

As you may know, for a number of years SNC has been considering means by which it might equitably grow its capital for the benefit of shareholders. The Company has made several unsolicited non-binding, indicative takeover proposals (both privately and publicly) that have been rejected.

On 3 June 2019 the Company announced that it had acquired an 18.8% stake in Mercantile from an entity associated with Sir Ron Brierley, in exchange for new SNC Shares. On the same day, the Company announced its intention to make a takeover offer for all the shares in Mercantile it did not own.

This transaction was devised as a pre-tax NTA for pre-tax NTA merger, using 31 May 2019 figures. Although exposing the Company to some risk that Mercantile's NTA might fall during the transaction process, the independent directors and I believe this was an appropriate mechanism.

On 25 June 2019, Sir Ron Brierley, who is now the Company's largest shareholder, joined the Board as a non-executive director. On behalf of the Board and Shareholders, I welcome Sir Ron to the Board.

On 27 August 2019, the Company declared its Offer for Mercantile Shares unconditional. As at the date of this report, we have received acceptances totalling 89.1% of Mercantile's shares on issue, including all shares held by Mercantile's directors and their associates.

**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 preserve or enhance the value of its investments.

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

**Chairman's Letter**  
**For the year ended 30 June 2019**

**Investment Performance**

The 2019 financial year was a challenging one for SNC. After a promising start, our investments were caught in the financial market maelstrom of late 2018, and unfortunately, the share prices of many did not recover sufficiently by the end of the financial year. The investment portfolio achieved a small positive result after investment management expenses but before corporate expenses.

A number of investments delivered outstanding returns during the financial year, including City Chic Collective Ltd (**City Chic**), Spicers Ltd (**Spicers**) and Watpac Ltd (**Watpac**). In each case, the drivers of these returns were highly idiosyncratic, resulting from specific events that occurred at each company. These included, a successful divestment and turnaround at City Chic and takeover proposals in the case of each of Spicers and Watpac. These were largely overshadowed by poor or stagnant returns from a number of other investments in the SNC portfolio, including some of our largest, for example, Consolidated Operations Group Ltd (**Consolidated**) and Fleetwood Corporation Limited (**Fleetwood**).

These companies faced challenges we believe are partly of their own making. As a result, their Boards need to be held accountable.

We will take the opportunity in our shareholder presentations later in the year to talk in greater detail about the investment portfolio and opportunities for realising value.

**Outlook**

Financial year 2020 is off to a promising start, with some encouraging financial results and corporate actions from some of our current portfolio companies.

Once we complete the Mercantile takeover, we will have a number of additional investments owned by Mercantile that we look forward to working on in FY 2020.

Prospectively there are numerous new investment opportunities we have encountered that merit further analysis as possible investments for SNC, however we cannot invest in them all. Cash levels at 31 July 2019 were \$2.7 million (approximately 5%).

As mentioned earlier, a decision regarding the final dividend for the year ending 30 June 2019 will be made when the outcome of the takeover bid for Mercantile is known.

On behalf of the Board, I would like to thank our fellow shareholders for their continued support throughout 2019 and we look forward to reporting to you on our progress in 2020.

Yours sincerely,



Gabriel Radzynski  
Chairman

30 August 2019

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

**Directors' Report**  
**For the year ended 30 June 2019**

The Directors of Sandon Capital Investments Limited present their report together with the financial statements of the Company for the year ended 30 June 2019.

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

**Directors**

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

Gabriel Radzynski – Chairman

Peter Velez – Independent Non-Executive Director

Melinda Snowden – Independent Non-Executive Director

Matthew Kidman – Independent Non-Executive Director (resigned 04 September 2018)

Sir Ron Brierley – Non-Executive Director (appointed 25 June 2019)

**Company secretary**

Mark Licciardo and Elizabeth McGregor were joint Company Secretaries up to the date of this report.

Elizabeth MacGregor was appointed joint Company Secretary as at 01 September 2018.

Adam Sutherland retired as joint Company Secretary as at 01 September 2018.

**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 2019, approximately 97% of the portfolio was invested in listed securities, with the remainder invested in unlisted securities and cash and term deposits.

During the period, the Company made a non-binding indicative takeover proposal to Monash Absolute Investment Company Ltd (ASX:MA1), in which the Company owns shares. The MA1 board rejected the proposal. The Company also made a non-binding indicative takeover proposal to Alterra Limited (ASX:1AG), in which the Company owns shares. The 1AG board rejected the proposal.

On the 3<sup>rd</sup> June 2019 the Company entered into an agreement with Mercantile to acquire up to 52,980,782 Mercantile shares from Siblow Pty Limited (**Siblow**), an entity controlled by Mercantile Chairman Sir Ron Brierley. Under the agreement, the Company issued new fully paid ordinary shares to Siblow in consideration for its Mercantile shares. Please refer to the ASX announcement "Acquisition of stake in Mercantile Investment Company Ltd" dated 3 June 2019.

On the same day the Company also advised Mercantile of its proposal to make an offer to acquire all the shares in Mercantile that it did not already own in exchange for an issue of shares in Sandon under an off-market takeover bid pursuant to chapter 6 of the Corporations Act 2001.



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

**Directors' Report**  
**For the year ended 30 June 2019**

**Director's Report (continued)**

**Principal activities (continued)**

On the 14th June 2019 the Company issued 10,823,974 fully paid ordinary shares to Siblow as consideration for the acquisition of 52,980,782 fully paid ordinary shares in Mercantile. Please refer to ASX announcement "SNC Completes acquisition of MVT stake – sets exchange ratio" dated 17 June 2019.

On the 24<sup>th</sup> June 2019, SNC entered into an agreement to acquire the 50,000,000 unlisted options in Mercantile currently on issue (Options) once the Mercantile Takeover Offer becomes unconditional. The consideration was determined on the basis of an independent valuation of the Options prepared for the independent directors of Sandon. Please refer to the ASX announcement "Sandon to acquire Mercantile options" dated 24 June 2019. After having considered the Option agreements, Mercantile has confirmed that it intends to consent to the Option transfer.

**Operating Results and Financial Position**

Net loss before tax was \$443,423 (2018 profit: \$3,972,585). The Company's total income was \$1,352,606 (2018 income: \$6,052,710). This income was the result of realised and unrealised net gain in the value of the investment portfolio and the receipt of fully franked and unfranked dividends and other distributions. The net loss for the year and reduced income year on year is reflective of the heightened volatility in the Australian equity market.

Including the acquisition of shares in Mercantile (and the issue of new SNC Shares), the investment portfolio increased by 10% to \$54,741,840 from prior year's position of \$49,559,153

The Company's net loss after tax for the year was \$201,711 (2018 profit: \$3,356,443).

The Company paid fully franked dividends totalling 7.0 cents per share during the year.

Cash and cash equivalent holdings decreased from \$1.8m last year to \$0.7m at year end and there was an increase in financial assets from \$47.8m last year to \$54.0m at year end.

The NTA before tax as at 30 June 2019 was \$0.9027 per share (June 2018: \$0.9966). The NTA after tax was \$0.8952 per share (June 2018: \$0.9572) The figures are after the 7.0 cents per share fully franked dividend paid to shareholders during the period as well as the acquisition of shares in Mercantile

The return to shareholders (the change in the Net Tangible Assets before tax per share plus dividends paid and imputation credits) was 0.3% for the year.

**Dividends**

A fully franked interim dividend of 3.5 cents per share was paid on 28 May 2019. A fully franked final dividend of 3.5 cents per share was paid on 2 November 2018.

While the scrip takeover bid for Mercantile has been declared unconditional and remains on foot, a final dividend for the year ended 30 June 2019 has not yet been determined. A decision regarding the final dividend will be made once the outcome of the takeover bid is known.

**New Shares issued**

On the 14th June 2019 the Company issued Sir Ron Brierley 10,823,974 fully paid ordinary shares as consideration for the acquisition of 52,980,782 fully paid ordinary shares in Mercantile.

During the financial year, the Company made no option issues to shareholders and no capital was raised through the exercise of options (2018: 434,252).

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

**Directors' Report**  
**For the year ended 30 June 2019**

**Director's Report (continued)**

**Principal activities (continued)**

**Events occurring after the reporting period**

An Extraordinary General Meeting was held on the 12th of August 2019 where shareholders voted on various resolutions regarding the Company's takeover offer for Mercantile. All resolutions were passed. Please refer to the ASX announcement "Results of Extraordinary General Meeting" dated 12 August 2019.

On 27 August 2019, the Company announced it had declared the Offer for Mercantile unconditional. As at the date of this report, the Company has received acceptances from Mercantile shareholders in excess of 89.1%. The Offer is due to close at 7pm on 9 September 2019.

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.

**Future Developments, Prospects and Business Strategies**

The Company will continue to selectively invest in cash, term deposits, unlisted and 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 Radzyski BA (Hons), MCom (Chairman and Non-Executive Director)

**Experience and special responsibilities**

Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd (**Sandon Capital or the Manager**), a boutique investment management and advisory firm. He is the portfolio manager of funds managed by Sandon Capital. Gabriel is an Executive Director of Mercantile. Gabriel is also a non-executive director of Future Generation Investment Fund Limited.

Peter Velez LLB MA MSc (Independent Non-Executive director)

**Experience and special responsibilities**

Peter is a corporate lawyer specialising in equity capital markets, mergers and acquisitions and funds management. Peter has also advised extensively on activist corporate activity, ASX compliance and corporate governance. Peter has been a practising lawyer since 1989 having worked at then national firm Freehill Hollingdale and Page and Sydney boutique corporate firm Watson Mangioni from 1995 to 2016. He played a key role in the development of externally-managed listed investment companies (LIC) having been involved in the IPO of over 25 LICs.

Peter is a member of the Audit and Risk Committee.

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

**Directors' Report**  
**For the year ended 30 June 2019**

**Director's Report (continued)**

**Information on Directors (continued)**

Melinda Snowden BEc, LLB, GAICD, FFin (Independent Non-Executive director)

**Experience and special responsibilities**

Melinda Snowden is a professional company director and experienced audit and risk committee member across a range of sectors. Melinda brings to the board a deep understanding of investment markets, governance disciplines and strategic insight.

Melinda's other current directorships include WAM Leaders Limited and Newington College. She is a former director of Mercer Investments (Australia) Limited Kennards Self Storage Pty Ltd, MLC Limited, the wealth management division of NAB, Vita Group Limited and SANE Australia.

Prior to leaving her executive career in 2010, Melinda was a corporate advisor for over 15 years with firms Grant Samuel, Merrill Lynch and Goldman Sachs in Australia and New York.

Melinda is a member of the Audit and Risk Committee.

Sir Ron Brierley (Non-Executive Director)

**Experience and special responsibilities**

Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 40 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group PLC (GPG) in 1990 where he also applied his investment approach. GPG was renamed (Coats Group PLC) on 6 March 2015. Sir Ron stepped down as a director of Coats Group PLC on 21 April 2015. Sir Ron is chairman of Mercantile.

**Company Secretaries**

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, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, Ensogo Limited and Mobilicom Limited as well as several other public and private companies.

Ms Elizabeth McGregor - BA (Hons), MBA, GIA (Cert)

**Experience and special responsibilities**

Elizabeth is an experienced corporate governance professional. Her career includes senior roles with listed and unlisted organisations in healthcare, mining and private equity. Elizabeth is a current Company Secretary of various public and private companies.

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

**Directors' Report**  
**For the year ended 30 June 2019**

**Director's Report (continued)**

	Directors' Meeting		Audit & Risk Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Gabriel Radzyninski	5	5	2	2*
Matthew Kidman	1	1	1	1^
Peter Velez	5	5	2	2
Melinda Snowden	5	5	2	2
Sir Ron Brierley	-	-	-	-**
<b>Total Meetings Held</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>2</b>

\* *In attendance ex-officio*

^ *Matthew Kidman resigned 4 September 2018*

\*\* *Sir Ron Brierley appointed 25 June 2019*

**Remuneration report**

The Company has no employees or key management personnel (KMP), other than the four Non-executive Directors. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

*Nature and amounts of remuneration*

On 10 November 2015, Shareholders approved a reduction in the maximum total remuneration of the Directors from \$300,000 per annum to \$85,000 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. Additional remuneration may be paid in accordance with the Company's Constitution.

The remuneration of the Directors is not linked to the performance of the Company. The Manager is a director-related entity which received a management fee of \$671,511 (2018: \$678,998), performance fee of \$424,224 (2018: \$1,049,553) and fees for accounting and administration totalling \$60,866 (2018: \$51,308).

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. The Company has not made, guaranteed or secured directly or indirectly any loans to key management personnel or their related entities during the year.

**Names and positions held of key management personnel in office as at the end of the financial year are:**

**Key Management Person**

Gabriel Radzyninski	Non-executive Director & Chairman
Peter Velez	Independent Non-executive Director
Melinda Snowden	Independent Non-executive Director
Sir Ron Brierley	Non-executive Director

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

**Directors' Report**  
For the year ended 30 June 2019

**Director's Report (continued)**

**Remuneration report (continued)**

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:

	<b>Short Term Employee Benefits Cash salary and fees \$</b>	<b>Post- Employment Benefit Superannuation \$</b>	<b>Total \$</b>
<b>30 June 2019</b>			
Gabriel Radzyninski	9,132	868	10,000
Matthew Kidman	3,900	371	4,271
Peter Velez	22,831	2,169	25,000
Melinda Snowden*	24,412	-	24,412
Sir Ron Brierley	-	-	-
	<b>60,275</b>	<b>3,408</b>	<b>63,683</b>
<b>30 June 2018</b>			
Gabriel Radzyninski	9,132	868	10,000
Matthew Kidman	22,831	2,169	25,000
Peter Velez	22,831	2,169	25,000
Melinda Snowden*	3,357	-	3,357
	<b>58,151</b>	<b>5,206</b>	<b>63,357</b>

\* Amount paid to Melinda Snowden excludes GST invoiced to the Company

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.

**Directors' Interests**

The number of shares and options held directly, indirectly or beneficially by Directors, or by entities to which they were related at the date of this report, were:

	<b>Balance 1 July 2018 \$</b>	<b>Net Acquisition \$</b>	<b>Retiring Director Holdings \$</b>	<b>Balance 30 June 2019 \$</b>
<b>2019</b>				
<b>Shares</b>				
Gabriel Radzyninski	434,859	-	-	434,859 ^
Matthew Kidman	123,333	-	(123,333)	-
Peter Velez	42,000	-	-	42,000
Melinda Snowden	-	5,000	-	5,000
Sir Ron Brierley	-	10,823,974	-	10,823,974 ^
	<b>600,192</b>	<b>10,828,974</b>	<b>(123,333)</b>	<b>11,305,833</b>

^includes indirect holdings

No options were held directly, indirectly or beneficially by Directors.

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

**Directors' Report**  
**For the year ended 30 June 2019**

**Director's Report (continued)**

**Other transactions with KMP**

**(a) Investment management agreement**

The Company and 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 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 Management fee is 1.25% per annum (exclusive of GST).

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.

In accordance with the IPO Prospectus, the Manager will only be entitled to a performance fee if and when the NTA per share of the Company is equal to or greater than \$1 per share adjusted for dividends.

In the financial year 2019, the NTA per share adjusted for dividends paid, was above \$1.00 and accordingly the Manager was entitled to receive a performance fee.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Management fees (GST inclusive)*	671,511	678,998
Performance fees (GST inclusive)*	424,224	1,049,553
	<u>1,095,735</u>	<u>1,728,551</u>

At 30 June 2019, \$467,019 remains payable by the Company to the Manager (2018: \$1,110,670 GST inclusive).

**(c) Accounting fee**

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Accounting fees (GST inclusive)*	60,866	51,308
	<u>60,866</u>	<u>51,308</u>

\* The difference between the amount disclosed above and the Statement of Financial Performance are the reduced input tax credits claimable.

***This is the end of the Remuneration Report***

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

**Directors' Report**  
**For the year ended 30 June 2019**

**Indemnification and insurance of officers and directors**

During or since the end of the financial year, the Company has given an indemnity or entered into an 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*.

**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 unless otherwise specified.

**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 13.

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

On behalf of the Directors,



Gabriel Radzynski  
Chairman

Sydney  
30 August 2019

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

In relation to the independent audit of Sandon Capital Investments Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

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



**S S WALLACE**  
Partner

**PITCHER PARTNERS**  
Sydney

30 August 2019



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

**Statement of Financial Performance**  
**For the year ended 30 June 2019**

	Notes	30 June 2019	30 June 2018
		\$	\$
Net realised and unrealised gains on financial assets		682,556	4,375,864
Other Income from operating activities	3	670,050	1,676,846
<b>Total Income</b>		<b>1,352,606</b>	<b>6,052,710</b>
Management fees	18	(625,726)	(632,703)
Performance fees	18	(395,300)	(977,993)
Directors' fees	17	(66,124)	(63,357)
Company secretarial fees		(47,282)	(44,226)
Brokerage expense		(64,408)	(40,744)
Custody fees		(22,200)	(20,850)
ASX listing and chess fees		(84,469)	(46,182)
Share registry fees		(36,018)	(41,798)
Accounting fees	18	(56,716)	(47,810)
Audit fees	5	(66,360)	(37,000)
Taxation fees		(85,619)	(61,578)
Legal fees		(152,667)	(10,281)
Other operating expenses		(93,140)	(55,603)
<b>Total expenses</b>		<b>(1,796,029)</b>	<b>(2,080,125)</b>
<b>(Loss)/Profit before Income Tax</b>		<b>(443,423)</b>	<b>3,972,585</b>
Income tax benefit/(expense)	4	241,712	(616,142)
<b>(Loss)/Profit attributable to members of the Company</b>		<b>(201,711)</b>	<b>3,356,443</b>
<b>Comprehensive (Loss)/Income for the period</b>		<b>-</b>	<b>-</b>
<b>Basic (Loss)/Earnings per share (cents per share)</b>	7	<b>(0.41)</b>	<b>6.97</b>
<b>Diluted (Loss)/Earnings per share (cents per share)</b>	7	<b>(0.41)</b>	<b>6.97</b>

The accompanying notes form part of these financial statements.

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

**Statement of Financial Position**  
**As at 30 June 2019**

	Notes	30 June 2019	30 June 2018
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	8	701,885	1,807,315
Trade and other receivables	9	76,158	391,956
Prepayments		8,250	8,527
Financial assets	10	54,039,953	47,751,838
Deferred tax assets	4	57,734	60,435
<b>Total assets</b>		<b><u>54,883,980</u></b>	<b><u>50,020,071</u></b>
<b>Liabilities</b>			
Financial liabilities	11	519,494	374,445
Trade and other payables	14	700,751	1,214,938
Deferred tax liabilities	4	502,039	1,967,151
<b>Total liabilities</b>		<b><u>1,722,284</u></b>	<b><u>3,556,534</u></b>
<b>Net assets</b>		<b>53,161,696</b>	<b>46,463,537</b>
<b>Equity</b>			
Issued capital	12	57,034,812	46,744,460
Profit reserve	13	1,334,797	2,817,614
Accumulated losses	15	(5,207,913)	(3,098,537)
<b>Total equity</b>		<b><u>53,161,696</u></b>	<b><u>46,463,537</u></b>

The accompanying notes form part of these financial statements.

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

**Statement of Changes in Equity**  
**As at 30 June 2019**

	Notes	Issued Capital	Retained profits/ accumulated losses	Profit Reserve	Total Equity
		\$	\$	\$	\$
<b>Balance at 1 July 2017</b>		<b>46,288,495</b>	<b>(3,098,537)</b>	<b>2,841,091</b>	<b>46,031,049</b>
Profit for the year attributable to the owners of the Company		-	3,356,443	-	3,356,443
Transfer to profits reserve	13	-	(3,356,443)	3,356,443	-
Shares issued via exercise of options		455,965	-	-	455,965
Shares issued via share purchase plan & placement		-	-	-	-
Dividends provided or paid	6	-	-	(3,379,920)	(3,379,920)
Cost of raising capital net of tax		-	-	-	-
<b>Balance at 30 June 2018</b>	12	<b>46,744,460</b>	<b>(3,098,537)</b>	<b>2,817,614</b>	<b>46,463,537</b>
<b>Balance at 1 July 2018</b>		<b>46,744,460</b>	<b>(3,098,537)</b>	<b>2,817,614</b>	<b>46,463,537</b>
Loss for the year attributable to the owners of the Company		-	(201,711)	-	(201,711)
Transfer to profit reserve	13	-	(1,907,665)	1,907,665	-
Shares issued via exercise of options		-	-	-	-
Shares issued as consideration for acquisition of shares in Mercantile		10,290,352	-	-	10,290,352
Dividends provided or paid	6	-	-	(3,390,482)	(3,390,482)
Cost of raising capital net of tax		-	-	-	-
<b>Balance at 30 June 2019</b>	12	<b>57,034,812</b>	<b>(5,207,913)</b>	<b>1,334,797</b>	<b>53,161,696</b>

The accompanying notes form part of these financial statements.

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

**Statement of Cash Flows**  
**For the year ending 30 June 2019**

	Notes	30 June 2019 \$	30 June 2018 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		20,712,556	12,640,301
Payments for investments		(15,871,174)	(9,855,136)
Dividends and capital return received		602,624	1,563,458
Interest received		28,909	6,429
Other income received		61,252	84,552
Income tax payments		(1,055,953)	(217,097)
Management fees (GST inclusive)		(619,849)	(631,564)
Performance fees (GST inclusive)		(1,049,619)	(1,158,041)
Brokerage expense (GST inclusive)		(64,408)	(40,744)
Payment of other operating expenses		(459,286)	(35,244)
<b>Net cash provided by/(used in) operating activities</b>	19	<u><b>2,285,052</b></u>	<u><b>(2,356,914)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares - options exercised		-	455,965
Dividends paid net of re-investment		(3,390,482)	(3,379,920)
<b>Net cash (used in) financing activities</b>		<u><b>(3,390,482)</b></u>	<u><b>(2,923,955)</b></u>
<b>Net decrease in cash and cash equivalents</b>		(1,105,430)	(567,041)
Cash and cash equivalents at the beginning of the year		1,807,315	2,374,356
<b>Cash and cash equivalents at end of the year</b>	8	<u><u><b>701,885</b></u></u>	<u><u><b>1,807,315</b></u></u>
<b>Non-cash transactions</b>			
Payments for investments *		(10,290,351)	-
Proceeds from issue of new shares *		10,290,351	-

\* In an off-market trade the Company issued 10,823,974 fully paid ordinary shares on completion of its acquisition of 52,980,782 shares in Mercantile from Siblow.

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 year ended 30 June 2019**

**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*.

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 August 2019.

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

**Key judgements and accounting estimates**

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2019. 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.

**2. Statement of Significant Accounting Policies**

**a) Financial instruments**

The Company adopted AASB 9 Financial Instruments from 1 July 2018 in accordance with the transition requirements in AASB 9, which permit entities to transition to AASB 9 by applying the Standard:

- retrospectively to each prior reporting period presented; or
- retrospectively with the cumulative effect of initially applying the Standard recognised as at the date of initial application (i.e., at the beginning of the annual reporting period in which the entity first applies the Standard).

The Company adopted AASB 9 retrospectively to each prior reporting period presented, which resulted in no material impact in the classification or measurement of financial instruments held by the entity that fell within the scope of AASB 9.

*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.

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**2. Statement of Significant Accounting Policies (continued)**

**a) Financial instruments (continued)**

***Recognition, Classification and Measurement (continued)***

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 Financial Performance 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 Financial performance 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.

*Impairment*

AASB 9 requires the Company to record expected credit losses on all its financial assets measured at amortised cost and financial guarantees. The changes in accounting policies have been applied retrospectively and the Company has elected to apply the limited exemption in AASB 9 and has not restated comparative periods in the year of initial application. There no material adjustment in the transition to the new standard.

For all other financial assets subject to impairment testing, depending on the significance of the credit risk, the allowances may be recognised on the basis of the lifetime credit loss or 12-month credit loss.

The company considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. These include factors such as adverse changes in financial performance or financial position of the counterparty and changes in external market indicators of credit risk.

Financial assets are regarded as 'credit-impaired' when events such as significant financial difficulty of the issuer/borrower or breach of contract have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

The gross carrying amount of a financial asset is written off when the counterparty is in severe financial difficulty and the company has no expectation of recovery of the financial asset

**b) Expenses**

All expenses are recognised in the Statement of Financial Performance on an accrual basis.

**c) 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.

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**2. Statement of Significant Accounting Policies (continued)**

**d) 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.

**e) 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.

**f) New and amended accounting policies adopted**

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Company has applied AASB 9: *Financial Instruments* from 1 July 2018. All of the Company's investments in financial assets continued to be accounted for at fair value through profit or loss under AASB 9. Accordingly, first time application of AASB 9 had no impact on the Company's accounting for its investments in financial assets.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have a significant impact on the Company's financial statements.

**g) 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 unless otherwise stated.

**3. Revenue and Other Income**

Interest income is recognised in the Statement of Financial Performance 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.

<b>Other income</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Dividend income	579,889	1,575,034
Trust distributions	45,652	84,552
Interest income	28,909	17,260
Other income	15,600	-
	<u>670,050</u>	<u>1,676,846</u>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**4. Income tax**

This note provides analysis of Sandon's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. The note also details the deferred tax assets and liability balances and their movements.

<b>Tax (benefit)/expense composition</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Tax expense comprises:		
Decrease in deferred tax assets	2,701	88,054
Increase in deferred tax liabilities	(248,050)	494,962
Current tax movement	3,637	33,126
	<u>(241,712)</u>	<u>616,142</u>

**a. Reconciliation of Income Tax (Benefit)/Expense to prima facie tax payable**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
(Loss)/Profit from continuing operations before income tax expense	<b>(443,423)</b>	<b>3,972,585</b>
Prima facie tax benefit/(expense) on profit from ordinary activities at 27.5%	(121,941)	1,092,461
Imputation credit gross up	54,754	155,341
Franking credit offset	(199,106)	(564,876)
Other deductible items	55,193	27,921
Withholding tax claimed	1,309	1,789
Over provision in prior year	(31,921)	(96,494)
	<u>(241,712)</u>	<u>616,142</u>
Effective tax rate	<b>54.5%</b>	<b>15.5%</b>

**b. Deferred tax asset**

	<b>Opening Balance 1 July 2018</b>	<b>Under/(Over) Provision</b>	<b>Charged to Profit or Loss</b>	<b>Charged to Equity</b>	<b>Closing Balance 30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accrued expense movements	24,570	(4,888)	15,928	-	35,610
Capitalised costs	35,865	-	(13,741)	-	22,124
<b>Balance</b>	<u>60,435</u>	<u>(4,888)</u>	<u>2,187</u>	<u>-</u>	<u>57,734</u>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**4. Income Tax (continued)**

**c. Deferred tax liability**

	Opening Balance 1 July 2018 \$	Under/(Over) Provision \$	Charged to Profit or Loss \$	Closing Balance 30 June 2019 \$
Accrued income movements	611	(611)	49,564	49,564
Fair value adjustments	1,966,540	(1,253,052)	(261,013)	452,475
<b>Balance</b>	<b>1,967,151</b>	<b>(1,253,663)</b>	<b>(211,449)</b>	<b>502,039</b>

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income.

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 Financial Performance except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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.

**5. Remuneration of auditors**

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

	30 June 2019 \$	30 June 2018 \$
<b>Pitcher Partners</b>		
Agreed fees for audit and review of financial reports	58,912	37,000
Other assurance services	10,307	-
	<b>69,219</b>	<b>37,000</b>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**6. Dividends**

The Company's dividend policy is 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 if a final ordinary dividend is declared.

**a) Dividends paid during the year**

	<b>Amount per security (cents)</b>	<b>Franked amount per security (cents)</b>
The following dividends were paid or provided for during the year:		
Final and special fully franked dividend for the year ended 30 June 2018 paid on 2 November 2018.	3.5	3.5
Interim fully franked dividend of 3.5 cents per share for the period ended 31 December 2018 paid on 28 May 2019.	3.5	3.5
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Final fully franked dividend of 3.5 per share paid 2 November 2018 (2017: Final and fully franked dividends of 3.0 cents per share paid on 2 November 2017).	1,695,241	1,684,678
Interim fully franked dividend of 3.5 cents per share paid 28 May 2019 (2018: Interim fully franked dividend of 3.5 cents per share for the year ended 30 June 2018 paid on 18 May 2018).	1,695,241	1,695,242
	<b>3,390,482</b>	<b>3,379,920</b>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**6. Dividends (continued)**

**(b) Dividend franking account**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Balance at the beginning of the year	998,569	1,519,152
Franking credits on dividends received	201,288	562,694
Other tax payments	1,025,454	198,762
Franked dividends paid	<u>(1,286,045)</u>	<u>(1,282,039)</u>
Balance available for subsequent reporting periods	939,267	998,569
Franked dividend declared but not recognised as liability at 30 June	-	(643,022)
Balance available for subsequent reporting periods	<u><b>939,267</b></u>	<u><b>355,547</b></u>

Franking credits (cents per share)*	1.59	0.73
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*\*excludes any franking credits that will arise on tax paid during the year.*

The franking balance of 1.59 cents per share supports the payment of a fully franked dividend of 4.18 cents per share, should there be sufficient profit reserves available.

Total number of fully paid shares issued as at 30 June 2019 is 59,259,401.

**7. Earnings per share**

Basic earnings per share are 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 are 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.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
(Loss)/Profit after income tax used in the calculation of basic and diluted earnings per share	<u>(201,711)</u>	<u>3,356,443</u>
	<b>No. shares</b>	<b>No. shares</b>
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	<u>48,909,903</u>	<u>48,149,076</u>
Basic and diluted (loss)/earnings per share (cents per share)	(0.41)	6.97

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

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**8. Cash and cash equivalents**

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Cash at bank	701,885	1,807,315
	<b>701,885</b>	<b>1,807,315</b>

**9. Trade and other receivables**

Interest income is recognised in the Statement of Financial Performance 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. Outstanding settlements are unsettled sales with brokers which are generally received within two business days. All other receivables are due within 12 months after reporting period.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Distribution receivable	-	25,337
Dividend and withholding tax receivable	32,562	29,960
GST receivable	43,096	171,414
Provision for income tax	500	165,245
	<b>76,158</b>	<b>391,956</b>

**10. Financial assets**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
<b>Financial assets at fair value through profit or loss comprise of:</b>		
Listed investments	53,245,247	47,549,642
Unlisted investments	794,706	202,196
	<b>54,039,953</b>	<b>47,751,838</b>

**11. Financial liabilities**

Borrowed stock is carried at fair value. The Company is required to provide collateral backing of 110% of the fair value of the borrowed stock to the stock lender. The level of borrowed stock plus other borrowings cannot exceed 50% of the net asset value of the Company.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Borrowed stock	519,494	374,445
	<b>519,494</b>	<b>374,445</b>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**12. Contributed equity and movements in total equity**

**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.

	<b>30 June 2019</b>		<b>30 June 2018</b>	
	\$	No.	\$	No.
<b>Share Capital</b>				
Fully paid ordinary shares	57,034,812	59,259,401	46,744,460	48,435,427
<b>Movements in shares on issue:</b>				
Opening balance	46,744,460	48,435,427	46,288,495	48,001,175
Shares issued – dividend reinvested	-	-	-	-
Shares issued – options exercised	-	-	455,965	434,252
Shares issued – as consideration for acquisition of shares in Mercantile	10,290,352	10,823,974	-	-
Cost of raising capital net of tax	-	-	-	-
Closing balance	<b>57,034,812</b>	<b>59,259,401</b>	<b>46,744,460</b>	<b>48,435,427</b>

**New Shares issue**

On the 14th June 2019 the Company issued ASX 10,823,974 fully paid ordinary shares as consideration for the acquisition of 52,980,782 fully paid ordinary shares in Mercantile.

During financial year, the company made no option issues to shareholders and no capital was raised through the exercise of options.

**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.

**13. Profit reserve**

The profit 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.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
<b>Movement in profit reserve</b>		
Balance as at beginning of the period	2,817,614	2,841,091
Transfer from retained earnings	1,907,665	3,356,443
Dividend paid	(3,390,482)	(3,379,920)
	<b>1,334,797</b>	<b>2,817,614</b>
Profit reserve (cents per share)	2.25	5.82

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**14. Trade and other payables**

Trade and other payables are non-derivative financial liabilities and are stated at amortised 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. All other trade and payables are due within 12 months of reporting date.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Management fee payable	62,988	57,111
Performance fee payable	424,224	1,049,619
Outstanding settlements	11,541	9,312
Other payables	201,998	98,896
<b>Total trade and other payables</b>	<b>700,751</b>	<b>1,214,938</b>

**15. Accumulated losses**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Balance as at beginning of the period	(3,098,537)	(3,098,537)
(Loss)/Profit for the year	(201,711)	3,356,443
Transfer to profit reserve	(1,907,665)	(3,356,443)
	<b>(5,207,913)</b>	<b>(3,098,537)</b>

**16. 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 liquidity risk, counter party risk and market risk consisting of other price risk, foreign exchange risk, and interest rate risk.

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
<b>Financial Assets at Amortised Cost</b>		
Cash and cash equivalents	701,885	1,807,315
Trade and other receivables	76,158	391,956
	<b>778,043</b>	<b>2,199,271</b>
<i>Financial assets at fair value through profit or loss:</i>		
Listed investments	53,245,247	47,549,642
Unlisted investments	794,706	202,196
	<b>54,039,953</b>	<b>47,751,838</b>
	<b>54,817,996</b>	<b>49,951,109</b>
<b>Financial liabilities at Amortised Cost</b>		
Trade and other payables	700,751	1,214,938
	<b>700,751</b>	<b>1,214,938</b>
<i>Financial liabilities at fair value through profit or loss:</i>		
Financial liabilities	519,494	374,445
	<b>519,494</b>	<b>374,445</b>
	<b>1,220,245</b>	<b>1,589,383</b>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**16. Financial risk management (continued)**

**(a) Fair value hierarchy**

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

As at 30 June 2019, the Company has two unlisted investment classified at level 3.

The Company's investment in Carbon Conscious Investment Ltd (CCIL) valued at \$445,755 (June 18: Nil) is based on its share of CCIL's shareholder equity. This valuation was supported by discounted cashflow calculations and earnings capitalisation calculations performed by the Company on readily available information.

The Company's investment in Foundation Life valued at \$348,951 (June 18: \$202,196) is based on its share of Foundation Life's shareholder equity and ownership of Foundation Life's notes. These figures are reported in Foundation Life's reviewed half yearly and audited full year accounts (in March and September respectively).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2019.

<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets and liabilities at fair value through profit or loss:</b>				
Listed investments	53,245,247	-	-	53,245,247
Unlisted investments	-	-	794,706	794,706
Financial liabilities	(519,494)	-	-	(519,494)
	<u>52,725,753</u>	<u>-</u>	<u>794,706</u>	<u>53,520,459</u>

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

<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets and liabilities at fair value through profit or loss:</b>				
Listed investments	47,549,642	-	-	47,549,642
Unlisted investments	-	-	202,196	202,196
Financial liabilities	(374,445)	-	-	(374,445)
	<u>47,175,197</u>	<u>-</u>	<u>202,196</u>	<u>47,377,393</u>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**16. Financial risk management (continued)**

**(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) Other price risk**

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

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 Financial Performance, 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:

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
<b>Financial assets and liabilities –at fair value through profit or loss:</b>		
Listed investments	53,245,247	47,549,642
Unlisted investments	794,706	202,196
Financial liabilities	(519,494)	(374,445)
	<u>53,520,459</u>	<u>47,377,393</u>
<b>Price risk sensitivity analysis</b>		
Change in Profit before tax		
– Increase in portfolio prices by 5%	2,676,023	2,368,870
– Decrease in portfolio prices by 5%	(2,676,023)	(2,368,870)

Financial assets at fair value through profit or loss are actively managed on a short term basis and are fair valued through the Statement of Financial Performance. Any movement in the portfolio price will be recorded in the Statement of Financial Performance.

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**16. Financial risk management (continued)**

**(c) Market risk (continued)**

**(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 2019 of \$1,905,661.

The Company has the ability to hedge foreign exchange exposure. During the financial year 2019 AUD/NZD exposure was not hedged.

The New Zealand dollar appreciated against the Australian dollar exchange rate in financial year 2019 and the exposure made a small positive contribution to the portfolio's return.

**(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.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Changes in Profit/Equity		
Increase in interest rates by 0.5%	3,509	9,037
Decrease in interest rates by 0.5%	(3,509)	(9,037)

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:

	<b>Weighted average effective interest</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non- interest bearing</b>	<b>Total</b>
		\$	\$	\$	\$
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.26%	701,885	-	-	701,885
<b>Total financial assets exposure</b>		701,885	-	-	701,885
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.5%	1,807,315	-	-	1,807,315
<b>Total financial assets exposure</b>		1,807,315	-	-	1,807,315

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**16. Financial risk management (continued)**

**(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 expected credit loss 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.

Counter party risk is not considered to be a material 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 counter party 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.

**(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.

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**17. Directors remuneration and holdings**

**(a) Names and positions held of key management personnel in office as at the end of the financial year are:**

**Key Management Person**

Gabriel Radzyski	Non-executive Director & Chairman
Peter Velez	Non-executive Director
Melinda Snowden	Non-executive Director
Sir Ron Brierley	Non-executive Director

**(b) Aggregate compensation made to Key Management Personnel**

	Short term benefits \$	Post- Employment Benefit Superannuation \$	Total \$
<b>Year Ended 30 June 2019</b>	60,276	3,407	63,683
<b>Year Ended 30 June 2018</b>	58,151	5,206	63,357

**(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 (2018: \$Nil).

**(ii) Shareholdings**

From time to time directors of the company, or their director related entities, could 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 Management Personnel, or by entities to which they were related, were:

	Balance 1 July 2018 \$	Net Acquisition \$	Retiring Director Holdings \$	Balance 30 June 2019 \$
<b>2019</b>				
<b>Shares</b>				
Gabriel Radzyski	434,859	-		434,859 ^
Matthew Kidman	123,333	-	(123,333)	-
Peter Velez	42,000	-		42,000
Melinda Snowden	-	5,000		5,000
Sir Ron Brierley	-	10,823,974		10,823,974 ^
	<b>600,192</b>	<b>10,828,974</b>	<b>(123,333)</b>	<b>11,305,833</b>

^includes indirect holdings

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**17. Directors remuneration and holdings (continued)**

**(c) Other transactions with key management personnel or entities related to them (continued)**  
**(ii) Shareholdings (continued)**

	Balance 1 July 2017 \$	Net Acquisition \$	Balance 30 June 2018 \$	
<b>2018</b>				
<b>Shares</b>				
Gabriel Radzyninski	434,859	-	434,859	^
Matthew Kidman	123,333	-	123,333	
Peter Velez	42,000	-	42,000	
Melinda Snowden	-	-	-	
	<b>600,192</b>	<b>-</b>	<b>600,192</b>	
<b>Options (expired 30 April 2018)</b>				
Gabriel Radzyninski	317,813	(317,813)	-	^
Matthew Kidman	123,333	(123,333)	-	
Peter Velez	-	-	-	
Melinda Snowden	-	-	-	
	<b>441,146</b>	<b>(441,146)</b>	<b>-</b>	

^includes indirect holdings

**18. Related Party Transactions**

**(a) Investment management agreement**

The Company and the Manager entered into a management agreement dated 11 November 2013. A Director of the Company, Gabriel Radzyninski, is also a Director of the Manager. The Manager is permitted to undertake investments that fall within the Company's investment strategy on 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 Management fee is 1.25% per annum (exclusive of GST).

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.

In accordance with the IPO Prospectus, the Manager will only be entitled to a performance fee if and when the NTA per share of the Company is equal to or greater than \$1 per share adjusted for dividends.

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**18. Related Party Transactions (continued)**

**(b) Management and performance fees (continued)**

In the financial year 2019, the NTA per share adjusted for dividends paid, was above \$1.00 and accordingly the Manager was entitled to receive a performance fee.

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Management fees (GST inclusive)*	671,511	678,998
Performance fees (GST inclusive)*	424,224	1,049,553
	1,095,735	1,728,551

At 30 June 2019, \$467,019 GST inclusive remains payable by the Company to the Manager (2018: \$1,110,670 GST inclusive).

**(c) Accounting fee**

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

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
Accounting fees (GST inclusive)*	60,866	51,308
	60,866	51,308

\* The difference between the amount disclosed above and the Statement of Financial Performance are the reduced input tax credits claimable.

**19. Cash flow information**

**Reconciliation of Cash Flow from operating activities with (loss)/ profit after income tax**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	\$	\$
(Loss)/Profit from operations after income tax	(201,711)	3,356,443
Net movement in financial assets held for trading	4,158,826	(1,230,126)
<b>Changes in assets and liabilities:</b>		
Decrease/(increase) in receivables	315,797	(239,983)
Decrease in prepayments	277	-
Decrease in deferred tax assets	2,701	88,054
Decrease in payables	(525,727)	(112,436)
(Decrease)/increase in deferred tax liabilities	(1,465,111)	494,962
<b>Net cash used in operating activities</b>	<b>2,285,052</b>	<b>2,356,914</b>

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

**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**20. Investment transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 296. Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$64,408 (2018: \$40,744).

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

An Extraordinary General Meeting was held on the 12th of August 2019 where shareholders voted on various resolutions regarding the company's takeover offer of Mercantile. All resolutions were passed. Please refer to the ASX announcement "Results of Extraordinary General Meeting" dated 12 August 2019.

On 27 August 2019, the Company announced it had declared the Offer for Mercantile unconditional. As at the date of this report, the Company has received acceptances from Mercantile shareholders in excess of 89.1%. The Offer is due to close at 7pm on 9 September 2019.

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.

**22. Contingencies and commitments**

There are no contingent assets or liabilities as at 30 June 2019 (2018: Nil). As at 30 June 2019, the Company had nil commitments (2018: Nil).

**23. Segment information**

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

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

**Directors' Declaration**  
**For the year ended 30 June 2019**

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 14 to 35 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 2019 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.

On behalf of the Directors,



Gabriel Radzynski  
Chairman

Sydney  
30 August 2019

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

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Sandon Capital Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of financial performance, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<p align="center"><b>Completeness, Existence and Valuation of Financial Assets and Financial Liabilities</b>  <b>Refer to Note 10: Financial Assets and Note 11: Financial Liabilities</b></p>	
<p>We focused our audit effort on the completeness, existence and valuation of the Company's financial assets and financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profits.</p> <p>Investments consist of listed Australian securities and units in unlisted Australian securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated net tangible asset value per security for unlisted investments.</p> <p>Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in an active market) or "level 3" (i.e. where key inputs to valuation are based on unobservable inputs).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and evaluating the investment management processes and controls;</li> <li>• Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>• Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and obtaining bridging letters and confirmations from the Custodians;</li> <li>• Obtaining confirmations of the investment holdings directly from the Custodians;</li> <li>• Recalculating the Company's valuation of individual investment holdings using independent pricing sources;</li> <li>• Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and</li> <li>• Assessing the adequacy of disclosures in the financial statements.</li> </ul>

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<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b>Accuracy, Completeness and Existence of Management and Performance Fees</b> <b>Refer to Note 14: Trade and other payables and Note 18: Related party transactions</b>	
<p>We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and evaluating the investment management processes and controls;</li> <li>• Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians;</li> <li>• Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes;</li> <li>• Testing of key inputs such as portfolio movements, application of the relevant benchmarking, set percentage used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreement; and</li> <li>• Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

#### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the Directors for the Financial Report*

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Sandon Capital Investments Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The Directors of the Company 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.



**S S WALLACE**  
Partner



**PITCHER PARTNERS**  
Sydney

30 August 2019

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

**ASX Additional Information**  
**For the year ended 30 June 2019**

**ASX Additional Information**

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

**Substantial ordinary shareholders shareholding (as at 13 August 2019)**

The following have advised that they are a substantial shareholder of the Company. 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.

<b>Substantial ordinary shareholders</b>	<b>No. of shares</b>	<b>% of total</b>
Siblow Pty Limited	10,823,974	18.27

1. Notice received on 14 June 2019

**Distribution of shareholders (as at 13 August 2019)**

<b>Category</b>	<b>No. of shareholders</b>
1-1,000	195
1,001- 5,000	194
5,001-,10,000	197
10,001-100,000	658
100,001 and over	71
	<b>1,315</b>

The number of shareholdings held in less than marketable parcels is 156.

**Twenty largest shareholders - Ordinary shares (as at 13 August 2019)**

	<b>Number of ordinary shares held</b>	<b>Percentage of issued capital held</b>
Siblow Pty Limited	10,823,974	18.27
Mr Victor John Plummer	2,752,823	4.65
HSBC Custody Nominees (Australia) Limited	2,555,391	4.31
Dynasty Peak Pty Ltd	1,933,055	3.26
Navigator Australia Ltd	1,852,644	3.13
Heathers Super Pty Ltd	1,574,090	2.66
Donwood Pty Ltd	1,034,091	1.75
English Family Super Fund Pty Ltd	564,109	0.95
Investment Custodial Services Limited	504,698	0.85
Robert Nairn Pty Ltd	500,000	0.84
Robyn Robinson Holdings Pty Ltd	397,045	0.67
Mr John Stephen Michael Heathers & Ms Margaret Jean Heathers	392,345	0.66
Mr William Blomfield	384,110	0.65
Great D Pty Ltd	350,000	0.59
Mrs Robyn Robinson	327,045	0.55
Guys Investments Pty Ltd	305,853	0.52
Australian Executor Trustees Limited	290,000	0.49
Hidiga Pty Limited	272,364	0.46
Henggeler Super Pty Ltd	260,000	0.44
Kerway Investments Pty Ltd	257,163	0.43
	<b>27,330,800</b>	<b>46.12</b>

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

**ASX Additional Information**  
**For the year ended 30 June 2019**

**Voting Rights**

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

**Stock Exchange Listing**

Quotation has been granted for all of the ordinary shares and option (ASX code: SNC) of the Company on all Member Exchanges of the ASX Limited.

**Corporate Governance Statement**

The Board of Directors of 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](http://www.sandoncapital.com.au) under the Listed Investment Company/Corporate Governance section.

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