

**Sandon Capital Activist Fund**

**ABN 17 933 281 993**

Report for the financial year ended 30 June 2023

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### Directors' Report

The directors of One Fund Services Ltd (ABN 56 615 523 003) (the "Trustee") submit their report together with the financial statements for Sandon Capital Activist Fund ("the Fund") for the year ended 30 June 2023 and the auditor's report thereon.

### Trustee

The Fund's trustee is One Fund Services Ltd. The registered office and principal place of business of the Trustee is Level 16 Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000.

### Directors

The following persons held office as directors of One Fund Services Ltd during or since the end of the year and up to the date of this report:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesener	Executive Director & Company Secretary
Michael Sutherland	Executive Director

### Principal Activities

The principal activity of the Fund during the financial year was the investment and management of securities in accordance with its investment objectives and guidelines as set out in the Fund's Information Memorandum (IM) and in accordance with the provisions of the Trust Deed.

The Fund's focus is to invest in companies and trusts listed on the Australian Securities Exchange (the ASX) that Sandon Capital considers to be undervalued and which offer the opportunity for value uplift through an activist investment management strategy.

Positions may also be taken in companies where the activist potential is limited, where the Investment Manager considers that such a position takes the Fund forward to achieving its stated objectives.

Unlisted investment positions - activist and otherwise - are possible.

The Fund did not have any employees during the financial year (2022: nil).

No significant change in the nature of these activities occurred during the financial year (2022: nil).

### Review of Operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Information Memorandum, dated 1 October 2022.

## **Directors' Report (continued)**

### ***Results***

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The net profit attributable to unitholders for the year ended 30 June 2023 was \$109,034 (2022: net loss of \$13,688,618). This profit was mainly attributable to fair value based on the Fund's investments. The main contributors to this were Fleetwood Ltd(FWD), Global Data Centres(GDC) and A2B Australia Ltd(A2B).

### ***Distributions***

In respect of the financial year ended 30 June 2023, distribution of \$5,086,597 was declared. (2022: Nil).

### ***Value of Assets and Units Issued***

The Fund's net assets at 30 June 2023 was \$ 44,179,999 (2022: \$48,539,538). The total number of units on issue as at 30 June 2023 was 24,843,807 (2022: 24,554,542).

### ***Significant Changes in State of Affairs***

There are no other significant changes in the state of affairs in the Fund during the year.

### ***Events Occurring After the Reporting Date***

There has been no matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### ***Likely Developments and Expected Results of Operations***

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in its most recent Information Memorandum dated 1 October 2022.

Likely developments in the operations of the Fund and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Fund.

### ***Environmental Regulation and Performance***

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### ***Indemnification of Directors, Officers and Auditors***

No indemnities have been given or insurance premiums paid by the Fund, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Fund.

To the extent permitted by law, the Trustee has agreed to indemnify its auditors, Crowe, as part of terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Crowe during or since the end of the financial year.

**Directors' Report (continued)**

***Rounding***

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

On behalf of the directors of the Trustee, One Fund Services Ltd.



Frank Tearle  
Director

18 September 2023

**Directors' Declaration**

In the opinion of the directors of the Trustee of the Sandon Capital Activist Fund (the Fund),

- (i) The financial report and notes are prepared in accordance with the requirements of the Fund's Trust Deed, including:
  - a) complying with Australian Accounting Standards;
  - b) present fairly the Fund's financial position as at 30 June 2023 and of its performance for the year ended on that date;
- (ii) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 3;
- (iii) In the Director's opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Frank Tearle  
Director

18 September 2023

## Sandon Capital Activist Fund

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Note	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
<b>Investment Income</b>			
Net (losses) on financial instruments at fair value through profit or loss		(764)	(11,684)
Dividend income		1,591	168
Interest income		57	2
<b>Total of Investment income/(loss)</b>		<b>884</b>	<b>(11,514)</b>
<b>Expenses</b>			
Management fees		743	924
Performance fees		1	1,216
Other expenses		30	34
<b>Total expenses</b>		<b>774</b>	<b>2,174</b>
Net gains/(loss) attributable to unitholders		110	(13,688)
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	(5,086)	-
Decrease in net assets attributable to unitholders	6	4,976	13,688
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements

## Sandon Capital Activist Fund

### Statement of Financial Position as at 30 June 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	8(a)	3,052	362
Financial assets at fair value through profit or loss	5(a)	45,907	48,664
Receivables	9	451	143
<b>Total assets</b>		<b>49,410</b>	<b>49,169</b>
<b>Liabilities</b>			
Distribution payable		5,086	-
Payables	10	144	630
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>5,230</b>	<b>630</b>
<b>Net assets attributable to unitholders</b>	<b>6</b>	<b>44,180</b>	<b>48,539</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.



## Sandon Capital Activist Fund

### Statement of Changes in Equity for the financial year ended 30 June 2023

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
<b>Total equity at the beginning of the year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	-	-
Transactions with owners in their capacity as equity holders	-	-
<b>Total equity at the end of the financial year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

## Sandon Capital Activist Fund

### Statement of Cash Flows for the year ended 30 June 2023

	Note	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Interest received		57	2
Dividends received		1,697	170
Other income received		-	123
Management fees paid		(735)	(937)
Performance fees paid		-	(1,887)
Audit fees paid		(16)	-
Other expenses paid		(14)	(33)
Payments for purchase of financial assets at fair value through profit or loss		(14,185)	(12,497)
Proceeds from sales of financial assets at fair value through profit or loss		15,269	9,182
<b>Net cash used in operating activities</b>	<b>8(b)</b>	<b>2,073</b>	<b>(5,877)</b>
<b>Cash flows from financing activities</b>			
Proceeds from unitholder applications		980	2,953
Management fee rebates		133	929
Payments for unitholder redemptions		(496)	-
<b>Net cash provided by financing activities</b>		<b>617</b>	<b>3,882</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,690</b>	<b>(1,995)</b>
Cash and cash equivalents at the beginning of the year		362	2,357
<b>Cash and cash equivalents at the end of the year</b>	<b>8(a)</b>	<b>3,052</b>	<b>362</b>
<b>Non-cash financing activities</b>			
Increase in capital due to reinvestment of management fee rebates		133	929

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

#### 1. General information

This financial report covers the Sandon Capital Activist Fund (the "Fund") as an individual entity.

The Fund is an unregistered investment scheme and was constituted on 23 April 2009. The financial report of the Fund is for the year ended 30 June 2023.

The financial statements were authorised for issue by the Directors on the date the Directors' declaration was signed. The Directors of the Trustee have the power to amend and reissue the financial statements.

#### 2. Adoption of New and Revised Accounting Standards

##### *New standards and interpretations not yet adopted*

All new accounting standards that are applicable for the Fund for the 30 June 2023 reporting period have been adopted and do not have a material impact on the financial report. There are no new accounting standards and interpretations that have been issued but not yet effective, that are material to the financial report or have been early adopted for the 30 June 2023 reporting period.

#### 3. Significant accounting policies

##### *(a) Statement of Compliance*

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### *(b) Basis of preparation*

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations, and the financial reporting requirements of the Trust Deed.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months. However, an estimate of that amount cannot be determined as at balance sheet date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

All amounts are presented in Australian dollars as the functional and presentational currency of the Fund.

**3. Significant accounting policies (continued)**

***(b) Basis of preparation (continued)***

Prior year financial results are presented within this report as comparative information. The comparative information is adjusted from time to time for changes in accounting policies or for disclosures to improve the comparability of information.

***(c) Going concern basis***

The financial report has been prepared on a going concern basis and the Fund is a for-profit unit trust for the purpose of preparing the financial report.

***(d) Revenue and income recognition***

**Net gains/(losses) on financial instruments at fair value through profit or loss**

Net gains/(losses) on financial instruments at fair value through profit or loss are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year). This includes both realised and unrealised gains and losses, but does not include interest or dividend income.

**Dividend income**

Dividend income is recognised on the ex-dividend date net of franking credits.

**Interest Income**

Interest income is recognised for financial instruments not held at fair value through profit or loss using the effective interest method.

***(e) Expenses***

All expenses, including Trustee's fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

***(f) Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and cash balances held with brokers with original maturities of less than 3 months and net of overdrafts.

***(g) Investments in financial instruments***

Investments in financial instruments are categorised in accordance with AASB 9 "Financial Instruments". This classification is determined by the purpose underpinning the acquisition of the investment.

Investments of the Fund that have been designated at fair value through profit or loss include Australian and New Zealand listed equity securities. All investments are initially recognised at fair value of the consideration paid including transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities held by the Fund is the current close price.

**3. Significant accounting policies (continued)**

***(g) Investments in financial instruments (continued)***

Changes in the fair value of the investment are included in the Statement of Comprehensive Income in the period in which they arise.

The equity investments were irrevocably designated as measured at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities.

The Fund recognises a financial asset when it becomes a party to the contractual provisions of the instrument. Purchases and sales of investments in financial instruments are accounted for as at the trade date.

***(h) Taxation***

Under the current tax legislation, the Fund is not subject to income tax as it attributes the entirety of its taxable income to its unitholders.

***(i) Distributions***

In accordance with the Trust Deed and applicable taxation legislation, the Fund intends to fully distribute its distributable income to the unitholders by way of cash or reinvestment into the Fund. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributions to unitholders comprise the net distributable income of the Fund to which the unitholders are presently entitled. The distributions of \$5,086,597 are payable to the unitholders as at 30 June23 (June22: \$Nil).

***(j) Foreign currency transactions***

The functional and presentation currency for the Fund is Australian dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Comprehensive Income in the year in which they arise.

***(k) Payables***

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

***(l) Impairment of assets***

AASB 9 requires the Fund to record an allowance for expected credit losses (ECLs) for all loans and other financial assets not held at fair value through profit and loss.

The Fund holds trade receivables with no significant financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses (ECLs) under AASB 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

**3. Significant accounting policies (continued)**

***(m) Due to/from broker***

Amounts due to/from brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and are normally settled within 2 business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

***(n) Receivables***

Receivables may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Interest is accrued in accordance with the method outlined in note 3(d). Amounts are generally received within 30 days of being recorded as receivables.

***(o) Applications and redemptions***

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

***(p) Management fees***

In accordance with the Fund's IM, the Trustee charges a management fee of 1.54% per annum (including net GST) of the gross assets of the Fund. These fees comprise of fees paid to the Investment Manager, Trustee, and administrative fees of the Fund. The fee is charged and payable monthly in arrears out of the assets of the Fund.

***(q) Performance fees***

The Fund's manager is entitled to a performance fee when the performance of the Fund has exceeded the hurdle being the 1 Month Bank Bill Swap Rate (Mid) published by the ASX. The method of calculating the performance fees is detailed in the Trust Deed and summarised in the Information Memorandum (IM).

***(r) Net assets attributable to unitholders***

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders. Under the AMIT tax regime, the Trustee is no longer contractually obliged to pay distribution however intends to continue paying distributions as described in the Information Memorandum. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

***(s) Critical accounting judgements and key sources of estimation uncertainty***

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

### **3. Significant accounting policies (continued)**

#### ***(s) Critical accounting judgements and key sources of estimation uncertainty (continued)***

The majority of the Fund's investments are listed equities measured at fair value through profit or loss. Where there is no market price available for an instrument, a valuation technique is used. Judgment is applied in selecting valuation techniques and setting valuation assumptions and inputs.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in note 3(g) of these financial statements.

#### ***(t) Goods and services tax ("GST")***

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Fees and expenses incurred by the Fund, such as audit fees, administration fees, custodial services, and investment management fees, will generally be subjected to GST at the rate of 10%. Given the nature of the Fund's activities, the Fund may not be entitled to claim input tax credits for the full amount of the GST incurred. However, the Fund may be entitled to Reduced Input Tax Credits ("RITC") of 55% to 75% in respect of certain fees and expenses incurred by the Fund.

#### ***(u) Redeemable units***

The units issued by the Fund provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Fund. AASB 132 "Financial Instruments Presentation" permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Fund's redeemable units do not meet the specified criteria and have been consequently classified as liabilities. The liability to unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

**3. Significant accounting policies (continued)**

**(v) Rounding of amounts**

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

**(w) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**4. Financial risk management**

The Fund’s activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund’s overall financial risk management programme focuses on ensuring liquidity and valuation risks are managed and compliance with the Fund’s Product Disclosure Statement and the law. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund’s financial performance.

Financial risk management is carried out by the Investment Management team at Sandon Capital Pty Limited under its policies and in accordance with the Investment Management Agreement approved by the directors of the Trustee. The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below:

**(a) Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

In accordance with the Fund’s policy, the Investment Manager monitors the Fund’s credit position on an ongoing basis.

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring that transactions are undertaken with a large number of counterparties.

The following table details the breakdown by credit rating of cash and cash equivalents held by the Fund:

	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
AA-	3,052	362
	<b>3,052</b>	<b>362</b>



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

**(a) Credit risk (continued)**

There were no significant concentrations of credit risk to counterparties at 30 June 2023. The Fund only has a material credit risk exposure to the major banks that hold the cash balances at 30 June 2023. Credit risk is mitigated by the Fund by investing their cash through Major Australian Banks.

**(i) Settlement of securities transactions**

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase orders on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

**(b) Market risk**

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices liquidity. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

**(c) Price Risk**

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of the changes in foreign exchange rates. Investments are classified on the Statement of Financial Position as financial assets held at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the IM. Between 0% and 99% of the net assets attributable to unitholders are invested in listed securities. Generally, any single listed security will have a maximum weighting of 7.5% of gross assets. There may be times when the Fund determines to employ leverage to enhance returns. It may employ derivatives or have the Fund borrow to achieve this.

The Fund is exposed, particularly through its equity portfolio, to market risks influencing investment valuations. These market risks include changes in a company's internal operations or management, economic factors and relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

The table below summarises the impact of an increase/decrease in the market value of the share portfolio on the Fund's net assets attributable to unitholders at 30 June and profit from operating activities. The analysis is based on the assumptions that the security prices increased/decreased by 10% with all other variables held constant and that the fair value of the Fund's portfolio moved according to this.

	As at 30 June 2023		As at 30 June 2022	
	Increased by 10%	Decreased by 10%	Increased by 10%	Decreased by 10%
	\$'000	\$'000	\$'000	\$'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	4,591	(4,591)	4866	(4,866)

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

**(d) Interest rate risk**

The Fund is not exposed to any significant interest rate risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. The Fund's exposure to interest rate risk is set out on the following table:

	Impact on net profit		Net assets attributable to unitholders	
	Higher/(Lower)		Higher/(Lower)	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Interest rate changes</b>				
Interest rate increase +1%	31	4	31	4
Interest rate decrease -1%	(31)	(4)	(31)	(4)

## Sandon Capital Activist Fund

### Note to the financial statements

#### 4. Financial risk management (continued)

##### (d) Interest rate risk (continued)

As at 30 June 2023

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	3,052	-	-	3,052
Receivables	-	-	451	451
Financial assets at fair value through profit or loss	-	-	45,907	45,907
<b>Total Financial Assets</b>	<b>3,052</b>	<b>-</b>	<b>46,358</b>	<b>49,410</b>
<b>Financial liabilities</b>				
Payables	-	-	144	144
Distributions payable	-	-	5,086	5,086
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>5,230</b>	<b>5,230</b>
<b>Net exposure</b>	<b>3,052</b>		<b>41,128</b>	<b>44,180</b>

As at 30 June 2022

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	362	-	-	362
Receivables	-	-	143	143
Financial assets at fair value through profit or loss	-	-	48,664	48,664
<b>Total Financial Assets</b>	<b>362</b>	<b>-</b>	<b>48,807</b>	<b>49,169</b>
<b>Financial liabilities</b>				
Payables	-	-	630	630
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>630</b>	<b>630</b>
<b>Net Exposure</b>	<b>362</b>		<b>48,177</b>	<b>48,539</b>

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

**(e) Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemption of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's Trust Deed.

All financial liabilities have maturity term within a month, other than net assets attributable to unitholders described below.

The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand. The Fund's policy is to hold between 1% and 100% in cash.

Generally, unitholders may access their investment at the end of each calendar quarter (March, June, September, December) by giving the Trustee at least 30 days' notice (in writing) of their intention to redeem. The Fund employs a feature known as a "liquidity gate". The liquidity gate of this Fund means that the Trustee is not obliged to allow redemptions representing more than 20% of the Fund's net tangible assets ("NTA") during any single redemption period. This feature is designed to minimise any adverse effects that redeeming investors may have on the application of the Fund's investment strategy and continuing unitholders.

The Fund manages its net assets as capital, notwithstanding net assets are classified as a liability. The amount of net assets can change significantly on a weekly basis as the Fund is subject to weekly applications and redemptions at the discretion of unitholders.

The Fund monitors the level of applications and redemptions relative to the liquid assets in the Fund. During the year, the Fund's strategy is to hold up to 100% of the Fund's assets in cash when suitable investments cannot be found or in order to manage risk. Liquid assets include cash and cash equivalents and listed equities.

The Fund invests mostly in Australian listed companies, corporate bonds, floating rate notes and cash.

**5. Investments in Financial Instruments**

**(a) Financial assets at fair value through profit or loss**

	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	45,679	48,305
Unlisted equity securities	228	359
<b>Total financial assets at fair value through profit or loss</b>	<b>45,907</b>	<b>48,664</b>

**(b) Financial liabilities at fair value through profit or loss**

There were no financial liabilities at fair value through profit or loss as of 30 June 2023 and 30 June 2022.

**(c) Fair Value Hierarchy**

Financial instruments carried at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued using quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability. The prices for the Fund are based on redemption unit price quoted by the Trust Deed.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

## Sandon Capital Activist Fund

### Note to the financial statements

#### 5. Investments in Financial Instruments(continued)

<b>At 30 June 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Listed equity securities	45,679	-	-	45,679
Unlisted equity securities	-	-	228	228
<b>Total</b>	<b>45,679</b>	<b>-</b>	<b>228</b>	<b>45,907</b>

  

<b>At 30 June 2022</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Listed equity securities	48,305	-	-	48,305
Unlisted equity securities	-	-	359	359
<b>Total</b>	<b>48,305</b>	<b>-</b>	<b>359</b>	<b>48,664</b>

There was \$Nil movement from Level 1 to Level 3 to reclassify an investment during the year (2022: \$Nil).

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period.

	<b>Level 3 2023 \$'000</b>	<b>Level 3 2022 \$'000</b>
Opening balance	359	558
Transfer from level 1 instrument	-	-
Total losses/(gains) - profit or loss	(131)	(199)
<b>Closing balance*</b>	<b>228</b>	<b>359</b>

\*Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

*Level 3 investments comprise:*

As at 30 June 2023, the Fund held unlisted equity securities of \$227,863 (2022: \$358,543).

Valuation of the level 3 securities is performed monthly. Unlisted equity securities are initially valued at cost, with adjustments to the market value of the unlisted equity securities made through valuation techniques adopted by the Investment Manager.

The valuation committee considers the valuation and valuation methodologies applied to the relevant securities, and reviews available security-specific and general market information in order to make a fair value determination.

## Sandon Capital Activist Fund

### Note to the financial statements

#### 5. Investments in Financial Instruments(continued)

Securities which are fair-valued are monitored and reviewed to ensure their value remains in line with the statement of valuation.

Valuation techniques are set out in the pricing policy of the Investment Manager and can include liquidity discounting.

The inherent uncertainty in the valuation of such investments may result to a significant difference between the Fund's estimates of fair value and the fair values had observable inputs been available.

The table below discloses the valuation technique used in the valuation for level 3 investments and quantifies the effect of significant unobservable inputs used to value investments that fall in this category. Securities valued at nil have not been included in the following table.

	\$'000				
	Fair Value	Valuation	Unobservable	Sensitivity	Effect on fair
	30 June 2023	technique	input	used	value +/-(-)
Unlisted equity securities	228	Comparable trading multiples	Book value/shares	+/-10%	23/(23)

	\$'000				
	Fair Value	Valuation	Unobservable	Sensitivity	Effect on fair
	30 June 2022	technique	input	used	value +/-(-)
Unlisted equity securities	359	Comparable trading multiples	Book value/shares	+/-10%	36/(36)

#### 6. Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended 30 June 2023		Year Ended 30 June 2022	
	No. of Units ('000)	\$'000	No. of Units ('000)	\$'000
Opening balance	24,555	48,539	23,038	58,293
Reinvestments	66	133	361	929
Applications	494	980	1,156	3,005
Redemptions	(271)	(496)	-	-
Increase/(decrease) in net assets attributable to unitholders	-	(4,976)	-	(13,688)
<b>Closing balance</b>	<b>24,844</b>	<b>44,180</b>	<b>24,555</b>	<b>48,539</b>

## Sandon Capital Activist Fund

### Note to the financial statements

#### 7. Distributions to unitholders

The Fund intends to distribute all net realised gains and income annually as at 30 June. Distributions are expected but not guaranteed.

As at 30 June 2023, distribution of \$5,086,597 was payable (2022: nil).

#### 8. Cash and cash equivalents

(a) Cash and cash equivalents include cash at banks and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
	\$'000	\$'000
Cash at bank	3,052	362
<b>Total cash and cash equivalents</b>	<b>3,052</b>	<b>362</b>

(b) Reconciliation of profit/(loss) for the year to net cash flows provided by/(used in) operating activities:

	Year ended 30 June 2023	Year ended 30 June 2022
	\$'000	\$'000
Decrease in net assets attributable to unitholders	(4,976)	(13,688)
Net gains on financial assets and liabilities at fair value through profit or loss	764	11,684
Payments for purchases of financial assets and liabilities at fair value through profit or loss	(14,185)	(12,497)
Proceeds from sales of financial assets and liabilities at fair value through profit or loss	15,269	9,182
Distributions to unitholders	5,086	
Decrease/(increase) in other assets	106	125
Increase/(decrease) in other payables	9	(683)
<b>Net cash provided by/(used in) operating activities</b>	<b>2,073</b>	<b>(5,877)</b>



## Sandon Capital Activist Fund

### Note to the financial statements

#### 9. Receivables

	30 June 2023 \$'000	30 June 2022 \$'000
GST receivable	22	22
Dividends and distributions receivable	15	121
Due from brokers	414	-
	451	143

#### 10. Payables

The following table details the other liabilities by the Fund during the year:

	30 June 2023 \$'000	30 June 2022 \$'000
Management fees payable	115	106
Performance fee payable	1	-
Other payables	1	-
Recoverable expenses payable	27	29
Due to brokers	-	495
Distributions payable	5,086	-
	5,230	630

#### 11. Related party transactions

The Trustee of the Fund is One Fund Services Ltd.

**(a) Management fees paid and payable to Investment Manager (Sandon Capital Pty Limited - ABN 98 130 853 691)**

Management fees are the fees charged to manage and oversee the operation of the Fund. Under the Constitution, the Trustee charges a management fee between 1.54% per annum of the gross assets of the fund excluding borrowings, including net GST.

These comprise:

- Investment Management fees,
- the Trustee's base fees, and
- custodian, fund administration and registry base fees.

The fee is charged and payable monthly in arrears out of the assets of the Fund.

The Constitution allows for the Trustee to pay or reimburse itself from the assets of the Fund for any expenses the Trustee incurs in respect of the Fund in relation to the proper performance of its duties. The Fund also bears all expenses incidental to its operations and business, including, all transactional costs including brokerage, banking, sales and purchase commissions and charges and exchange fees, interest, withholding taxes and other governmental charges.

**11. Related party transactions (continued)**

**(a) Management fees paid and payable to the Investment Manager (continued)**

The following management fees were paid or payable out of the Fund's property during the year ended 30 June 2023:

- Management fees of \$743,378 were incurred for the year ended 30 June 2023 (2022: \$924,493).
- Management fees payable at 30 June 2023 were \$114,589 (2022: \$106,491).

**(b) Performance fees paid and payable to the Investment Manager**

The Fund will (if applicable) pay the Investment Manager a performance fee.

The Performance Fee is 15.38% of the amount by which the Fund outperforms the Fund's benchmark over each month. The fee is payable to the Investment Manager.

The benchmark is the 1 Month Bank Bill Swap Rate (Mid) (Benchmark) published by ASX.

The calculation is based on comparing unit prices at the end of the month with those at the start.

The net asset value for these calculations is adjusted for and to take account of applications, redemption and distributions over the month. It is net of ongoing Trustee and Investment Manager fees as well as recurring expenses, but before the performance fee itself, as well as any non-recurring expenses and non-recurring Trustee fees.

Investors have the protection of a 'high-water mark'. The performance fee is not payable if the end of month unit price is lower than the highest previous end of month price.

The following performance fees were paid or payable out of the Fund's property for the year ended 30 June 2023:

- Performance fees of \$556 were incurred for the year ended 30 June 2023 (2022: \$1,216,167 ).
- Performance fees payable at 30 June 2023 was \$487 (2022: \$Nil).

**(c) Key management personnel**

**(i) Directors**

Key management personnel of the Trustee, One Fund Services Ltd, during the dates between 1 July 2022 and up to 30 June 2023 are:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesener	Executive Director & Company Secretary
Michael Sutherland	Executive Director

Key management personnel of the Trustee and their associated entities do not hold any units in the Fund during the year and as at 30 June 2023.

## Sandon Capital Activist Fund

### Note to the financial statements

#### 11. Related party transactions (continued)

##### (c) Key management personnel (continued)

##### (ii) Other Key Management Personnel

The key management personnel of the Investment Manager at any time during the financial period are:

Name	Title
Gabriel Radzynski	CIO and Portfolio Manager
Campbell Morgan	Portfolio Manager
Derek Skeen	COO

Units held in the Sandon Capital Activist Fund by the Other Key Management Personnel and their respective related parties in aggregate are:

Unitholder	Number of Units held opening '000	% Interest held	Number of units acquired '000	Number of Units held closing '000	Distributions paid/payable by the Fund
Glen Brae Capital	751	3.03	10	761	155,772
CJ Morgan & MM Power Super Fund	63	0.26	1	64	13,119
Gefare Pty Ltd	176	0.81	25	201	41,210
Sandon Capital Pty Ltd	577	2.32	-	577	118,171
<b>Total</b>	<b>1,567</b>	<b>6.42</b>	<b>36</b>	<b>1,603</b>	<b>328,272</b>

Except as disclosed above, no key management personnel have entered into any other transactions with the Fund during the financial period and there were no material balances involving key management personnel's interests outstanding at the end of the financial period.

#### 12. Auditor's Remuneration

The auditor of the Fund is Crowe (2022:Ernst & Young).

	30 June 2023	30 June 2022
	\$	\$
Audit of the financial report	13,500	15,000
<b>Total auditor's remuneration payable</b>	<b>13,500</b>	<b>15,000</b>

#### 13. Contingent Assets and Liabilities and Commitments

There are no contingent assets and liabilities and commitment as at 30 June 2023 (30 June 2022: Nil).

#### 14. Subsequent Events

No other items, transactions or events of a material and unusual nature have arisen between the end of the report which significantly affected or may significantly affect the operation of the entity, the results of those operations or the state of the affairs of the entity in future financial years.

# Independent Auditor's Report to the Unitholders of Sandon Capital Activist Fund

## Opinion

We have audited the financial report of the Sandon Capital Activist Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

## 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 Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Trustee's Responsibility for the Financial Report

The directors of One Fund Services Ltd as the Trustee of the Fund are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Trustee are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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## 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's 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 Fund'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 Fund 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 those charged with governance 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 the audit.



**Crowe Sydney**



**John Haydon**

Senior Partner

Dated: 18 September 2023

Sydney