



Sandown Capital Limited
(Incorporated in the Republic of South Africa)
(Registration number 2000/013674/06)
Share code: SDC ISIN: ZAE000249645
("Sandown" or "the Company" or "the Group")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

HIGHLIGHTS

- Proposed change in investment strategy to focus on market infrastructure and regulation technology complemented by a liquid and transparent portfolio
- Proposed change in the Company name to Zarclear Limited to reflect the change in strategy
- Proposed termination of investment advisory agreement
- Increase in net asset value ("NAV") driven primarily by Rand weakness.

COMMENTARY

In response to shareholder activism, Sandown has proposed changes to its board of directors ("Board"), strategic direction, management structures and company name. These proposed changes will be voted on at a shareholder meeting on 15 November 2018.

The Company has been in a process of realigning its assets to fit with the changes while simultaneously focusing on minimising costs associated with managing its portfolio of assets. The core portfolio assets are the assets managed by Peregrine Capital Proprietary Limited and Stenprop Limited, which while being legacy assets, serve the strategy of the Company having access to regulatory capital for new investments.

The Company is also making investments into businesses that are focused on providing market infrastructure and regulation technology ahead of the sweeping changes coming to South African financial markets under the Financial Sector Regulations Bill, commonly referred to as "Twin Peaks". The Board envisions opportunities in this space and is in the process of applying for a trade repository licence under the new framework.

Sandown is making efforts to exit and mitigate its risk to its geared investment into Capital Step Holdings Limited, which is a hybrid finance business. Sandown is in the process of concluding its exit of Rinjani Holdings Limited ("Rinjani"), which is an unlisted property investment and management business.

The Board is also sensitive to the discount of its share price and will take actions to narrow it.

Issued share capital

Shares in issue amount to 226 066 million (2017: 163 183 million).

Directorate

As detailed in the SENS announcement published on 6 September 2018, Lawrie Brozin, Sean Melnick, Sean Jelley, Duncan Randall and Cindy Hess resigned from the Board with effect from 5 September 2018.

Paul Baloyi (independent non-executive Chairman), Warren Chapman (CEO), Fatima Vawda (independent non-executive) and Mandy Smith (independent non-executive) were appointed directors with effect from 5 September 2018. Andrew Hannington (CFO), previously a non-executive director of the Company, was appointed as an executive director with effect from 5 September 2018.

Conclusion

Subject to shareholder approval, the Company will change its name and strategy and will focus its efforts and assets to pursue opportunities in market infrastructure brought about by changing regulation. The Company will also take actions to narrow the discount of its share price to its NAV.

Warren Chapman
Chief Executive Officer

Andrew Hannington
Chief Financial Officer

Paul Baloyi
Independent Non-Executive Chairman

7 November 2018

Directors: P Baloyi (Chairman); W Chapman (CEO); A Hannington (CFO); F Vawda*; A Smith* (*Independent non-executive)*

Registered office: 6A Sandown Valley Crescent, Sandown, Sandton, 2196 (PO Box 650361, Benmore, 2010),

Telephone: +27 11 722 7400

Company Secretaries: CIS Company Secretaries Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, (PO Box 61051, Marshalltown, 2107)

Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, (PO Box 61051, Marshalltown, 2107)

Sponsor: Java Capital: 6A Sandown Valley Crescent, Sandown, Sandton, 2196 (PO Box 522606, Saxonwold, 2132)

Further detail and a print-friendly version of these results will be available on Sandown's website on <http://www.sandowncapital.com> from 7 November 2018.

Condensed Consolidated Statement of Financial Position as at 30 September 2018

| | Unaudited as at 30 September 2018 R'000s | Unaudited as at 30 September 2017 R'000s | Audited as at 31 March 2018 R'000s |
|---------------------------------------|---|---|---|
| ASSETS | | | |
| <i>Non-current assets</i> | 635 413 | – | 632 747 |
| Financial investments | 608 260 | – | 588 949 |
| Investment in associates | 27 153 | – | 22 949 |
| Deferred tax | – | – | 20 849 |
| <i>Current assets</i> | 632 733 | 180 418 | 590 358 |
| Financial investments | 444 768 | 174 179 | 507 094 |
| Trade and other receivables | 6 | 223 | 162 |
| Taxation | 500 | 4 443 | 6 672 |
| Cash and cash equivalents | 187 459 | 1 573 | 76 430 |
| Total assets | 1 268 146 | 180 418 | 1 223 105 |
| EQUITY AND LIABILITIES | | | |
| <i>Equity</i> | 1 262 813 | 172 748 | 1 101 687 |
| Share capital | 474 400 | 127 374 | 474 400 |
| Currency translation reserve | 6 424 | – | (34 961) |
| Accumulated profits | 781 989 | 45 374 | 662 248 |
| <i>Non-current liabilities</i> | | | |
| Deferred taxation | 4 445 | 5 603 | – |
| <i>Current liabilities</i> | 888 | 2 067 | 121 418 |
| Loans and other payables | – | 1 788 | 120 000 |
| Trade and other payables | 888 | 279 | 1 418 |
| Total equity and liabilities | 1 268 146 | 180 418 | 1 223 105 |

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 September 2018

| | Unaudited for the six months ended 30 September 2018 R'000s | Unaudited for the six months ended 30 September 2017 R'000s | Audited for the year ended 31 March 2018 R'000s |
|---|--|--|---|
| Revenue: Investment income/(losses) | 158 499 | 18 219 | (44 103) |
| Total revenue | 158 499 | 18 219 | (44 103) |
| Operating expenses | (12 070) | (1 339) | (23 932) |
| Profit/(loss) from operations | 146 429 | 16 880 | (68 035) |
| Net interest (paid)/received | (1 394) | 41 | (5 636) |
| – Interest received | 802 | 41 | 736 |
| – Interest paid | (2 196) | – | (6 372) |
| Profit/(loss) before taxation | 145 035 | 16 921 | (73 671) |
| Taxation | (25 294) | (5 946) | 22 236 |
| Profit/(loss) for the period | 119 741 | 10 975 | (51 435) |
| Other comprehensive income/(loss) for the period net of taxation | | | |
| Items that can be classified subsequent to profit and loss: | | | |
| Currency translation differences | 41 385 | – | (34 961) |
| Total comprehensive income/(loss) for the period | 161 126 | 10 975 | (86 396) |
| Basic and diluted earnings per share | | | |
| Earnings/(Losses) | 119 741 | 10 975 | (51 435) |
| Number of shares in issue at reporting date | 226 065 686 | 161 184 841 | 226 065 686 |
| Weighted average number of shares in issue | 226 065 686 | 161 184 841 | 193 625 269 |
| Basic and diluted earnings/(losses) per share (cents) | 52.97 | 6.81 | (26.56) |
| Headline earnings/(losses) per share | | | |
| Earnings/(Losses) | 119 741 | 10 975 | (51 435) |
| Adjustment for headline earnings/(losses) | – | – | – |
| Headline earnings/(losses) | 119 741 | 10 975 | (51 435) |
| Basic and headline earnings/(losses) per share (cents) | 52.97 | 6.81 | (26.56) |
| Dividend per share (cents) | – | 1.11 | 1.11 |
| Net asset value per share (cents) | 559 | 107 | 487 |
| Tangible net asset value per share (cents) | 559 | 107 | 487 |

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 September 2018

| R'000s | Share capital | Currency translation reserve | Accumulated profits | Total equity |
|--|----------------|------------------------------------|------------------------|------------------|
| Balance as at 31 March 2017 | 127 374 | – | 37 495 | 164 868 |
| Total comprehensive income for the period | – | – | 10 975 | 10 975 |
| Transactions with owners recorded directly in equity: | – | – | (3 095) | (3 095) |
| – Transfer of Peregrine treasury shares | – | – | (595) | (595) |
| – Dividends paid | – | – | (2 500) | (2 500) |
| Balance as at 30 September 2017 | 127 374 | – | 45 374 | 172 748 |
| Total comprehensive loss for the period | – | (34 961) | (62 410) | (97 371) |
| Transaction with owners recorded directly in equity: | – | – | – | – |
| – Restructure transactions | 347 026 | – | 679 284 | 1 026 310 |
| Balance as at 31 March 2018 | 474 400 | (34 961) | 662 248 | 1 101 687 |
| Total comprehensive income for the period | – | 41 385 | 119 741 | 161 126 |
| Balance as at 30 September 2018 | 474 400 | 6 424 | 781 989 | 1 262 813 |

Condensed Consolidated Statement of Cash Flows for the six months ended 30 September 2018

| | Unaudited for the six months ended 30 September 2018 R'000s | Unaudited for the six months ended 30 September 2017 R'000s | Audited for the year ended 31 March 2018 R'000s |
|---|--|--|---|
| Cash flow from operating activities | 8 492 | (9 166) | (18 449) |
| – Cash utilised by operations | (12 457) | (6 707) | (25 760) |
| – Interest received | 802 | 41 | 736 |
| – Interest paid | (2 196) | – | (6 372) |
| – Interest received from private equity investments | 1 538 | – | 1 507 |
| – Dividends received from listed equity investments | 14 633 | – | 14 440 |
| – Taxation refund (paid) | 6 172 | – | (500) |
| – Cash dividends paid | – | (2 500) | (2 500) |
| Cash flow from investing activities | 219 370 | 17 852 | (37 312) |
| Proceeds from sale of financial investments | 224 249 | 17 852 | 87 965 |
| Acquisition of financial investments | – | – | (102 328) |
| Investment in associates | (4 879) | – | (22 949) |
| Cash flow from financing activities | | | |
| Decrease in loans and payables | (120 000) | (7 556) | (23 556) |
| Net increase/(decrease) in cash and cash equivalents | 107 862 | 1 130 | (79 317) |
| Net cash acquired in the restructure | – | – | 170 567 |
| Currency impact on foreign cash balances | 3 167 | – | (15 263) |
| Cash and cash equivalents at beginning of the period | 76 430 | 443 | 443 |
| Cash and cash equivalents at the end of the period | 187 459 | 1 573 | 76 430 |

NOTES AND COMPLIANCE

The condensed consolidated unaudited interim financial statements of the Group as at and for the six months ended 30 September 2018 comprise the Group results and the Group's interests in equity accounted investees.

Basis of preparation

The condensed consolidated unaudited interim financial statements were prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared on a consolidated basis in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Reporting.

The accounting policies applied in the preparation of the condensed consolidated unaudited interim financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements as at and for the year ended 31 March 2018.

In preparing these condensed consolidated unaudited interim financial statements management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 March 2018.

The Group's results were prepared under the supervision of Andrew Hannington CA(SA), the Chief Financial Officer.

These interim financial statements and any forward-looking statements have not been reviewed or reported on by the Company's auditors, Deloitte & Touche.

Disposals

The following disposals were made during the period under review.

Hedge Funds

The Peregrine Partners Fund (the “Fund”), an En Commandite Partnership (“ECP”) which held geared investments in three underlying hedge funds as at 31 March 2018, was unbundled with effect from 1 April 2018, from which date the Fund’s 80.1% interest in the PNF Peregrine ECP (together with related gearing), its 100% interest in the Peregrine Green Oak ECP (together with related gearing) and its units in the Peregrine Capital Flexible Opportunities Hedge Fund were transferred to direct ownership by the Group.

The Group redeemed its entire interest in the Stenham Targeted Skills II Fund and a substantial portion of its interest in the Peregrine Capital Flexible Opportunities Fund during the period under review. The redemption proceeds were applied to repay the outstanding portion of the vendor loan due to Peregrine SA Holdings Proprietary Limited (31 March 2018: R120 million).

Rinjani

Following the recent sale of Sandown’s largest investment, Rinjani, the unlisted international property investment entity, in which the Group holds a 79.41% non-consolidated equity interest, completed a share buy-back on 26 September 2018. The Group’s share of approximately R94 million was received in EUR, which funds are being held offshore. The Group’s residual investment in Rinjani was valued at R57.8 million as at 30 September 2018 (31 March 2018: R123.4 million).

Firefly Investment 61 Partnership (“Firefly”)

Firefly, the South African private equity fund in which the Group holds a 50% partnership interest, disposed of its last remaining material investment. The Group’s share of the net sale proceeds, including settlement of outstanding loans due to it, amounted to R9.1 million.

Acquisitions

During the period under review, the Group subscribed for additional preference shares in its associate company, Nala A2X Proprietary Limited (“Nala A2X”), for a consideration of R2.3 million, to enable Nala A2X to follow its rights in a capital raise by its principal investment, A2X Proprietary Limited. In addition, an amount of R2.5 million was advanced to its associate company, Nala Empowerment Investment Company Proprietary Limited, by way of an interest-free shareholder loan.

Analysis of Assets and Liabilities by Financial Instrument Classification

| Unaudited as at 30 September 2018 | Financial instruments at fair value through profit and loss designated at inception | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Non-financial instruments and financial instruments beyond the scope of IFRS 7 | Total R'000s | Fair value of financial instrument |
|--|---|---|---|--|---------------------|------------------------------------|
| Non-current assets | 635 321 | 92 | - | - | 635 413 | |
| Financial investments | 608 260 | - | - | - | 608 260 | 608 260 |
| Investment in associates | 27 062 | 92 | - | - | 27 153 | 27 062 |
| Deferred tax | - | - | - | - | - | - |
| Current assets | 444 768 | 187 464 | - | 500 | 632 733 | |
| Financial investments | 444 768 | - | - | - | 444 768 | 444 768 |
| Trade and other receivables | - | 6 | - | - | 6 | |
| Taxation | - | - | - | 500 | 500 | |
| Cash and cash equivalents | - | 187 459 | - | - | 187 459 | |
| Total assets | 1 080 090 | 187 556 | - | 500 | 1 268 146 | |
| Non-current liabilities | | | | | | |
| Deferred taxation | - | - | - | 4 445 | 4 445 | |
| Current liabilities | | | | | | |
| Loans and payables | - | - | - | - | - | |
| Trade and other payables | - | - | 888 | - | 888 | |
| Total liabilities | - | - | 888 | 4 445 | 5 333 | |

Analysis of Assets and Liabilities by Financial Instrument Classification

| Audited as at 31 March 2018 | Financial instruments at fair value through profit and loss designated at inception | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Non-financial instruments and financial instruments beyond the scope of IFRS 7 | Total R'000s | Fair value of financial instrument |
|------------------------------------|---|---|---|--|---------------------|------------------------------------|
| Non-current assets | 611 806 | 92 | - | 20 849 | 632 747 | |
| Financial investments | 588 949 | - | - | - | 588 949 | 588 949 |
| Investment in associates | 22 857 | 92 | - | - | 22 949 | 22 857 |
| Deferred tax | - | - | - | 20 849 | 20 849 | |
| Current assets | 507 094 | 76 592 | - | 6 672 | 590 358 | |
| Financial investments | 507 094 | - | - | - | 507 094 | 507 094 |
| Trade and other receivables | - | 162 | - | - | 162 | |
| Taxation | - | - | - | 6 672 | 6 672 | |
| Cash and cash equivalents | - | 76 430 | - | - | 76 430 | |
| Total assets | 1 118 900 | 76 684 | - | 27 521 | 1 223 105 | |
| Non-current liabilities | | | | | | |
| Deferred taxation | - | - | - | - | - | |
| Current liabilities | | | 121 418 | | 121 418 | |
| Loans and payables | - | - | 120 000 | - | 120 000 | |
| Trade and other payables | - | - | 1 418 | - | 1 418 | |
| Total liabilities | - | - | 121 418 | - | 121 418 | |

Fair value disclosures

The following table presents the Group's financial instruments which are presented at fair value as at 30 September 2018:

| | R'000s | R'000s | R'000s |
|--|----------------|----------------|------------------|
| <i>Financial assets at fair value through profit or loss</i> | Level 1 | Level 2 | Total |
| Listed equities | 434 740 | – | 434 740 |
| Private equity investments | – | 173 520 | 173 520 |
| Hedge fund investments | – | 444 768 | 444 768 |
| Investment in associates | – | 27 062 | 27 062 |
| | 434 740 | 645 350 | 1 080 090 |

The following table presents the Group's financial instruments which are presented at fair value as at 31 March 2018:

| | R'000s | R'000s | R'000s |
|--|----------------|----------------|------------------|
| <i>Financial assets at fair value through profit or loss</i> | Level 1 | Level 2 | Total |
| Listed equities | 358 913 | – | 358 913 |
| Private equity investments | – | 230 036 | 230 036 |
| Hedge fund investments | – | 507 094 | 507 094 |
| Investment in associates | – | 22 857 | 22 857 |
| | 358 913 | 759 987 | 1 118 900 |

Valuation techniques applied and inputs to recurring valuation techniques

| Financial assets at fair value through profit or loss | Valuation technique used to determine fair value | Significant observable inputs used in valuation | Significant unobservable inputs used in valuation |
|---|--|---|---|
| Listed equities | Quoted market prices | Unadjusted quoted prices in an active market of underlying investments | N/A |
| Private equity investments | Current market assumptions for loans, independent valuations, and cost for recent transactions | Market-related interest rate | N/A |
| Hedge fund Investments | Quoted market prices | The fair value is determined by an independent administrator, based on the quoted market prices of the underlying investments held by the hedge funds | Unobservable inputs are mostly expense accruals of the hedge fund entities that are deducted from the sum of the fair values of net investments held by the hedge funds |
| Investment in associates | Current market assumptions for loans, independent valuations, and cost for recent transactions | Market-related interest rate | N/A |

Hedge funds

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The unlisted hedge fund investments were presented net of loans. The investments made are on a geared basis with permissible loan ratios of up to 100%. The loan agreements against the investment in the hedge funds state that the loans will be settled at the same time as a redemption out of the funds. The hedge fund investments are measured at fair value and the loans are measured at amortised cost.

Financial assets subject to offsetting

| R'000s | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|-------------------|--|--|--|
| 30 September 2018 | 1 062 381 | (617 613) | 444 768 |
| 30 March 2018 | 584 468 | (77 374) | 507 094 |

The increase in the gross amounts disclosed in the table above reflects the impact of the unbundling of the Peregrine Partners Fund ECP, described elsewhere in this report. As at 31 March 2018, the Group's interest in the Fund was presented net of loans of R520.5 million.

Related party balances and transactions

Private equity fund

The Group has a 50% interest in a partnership, Firefly, a private equity fund in the final stages of run-off. Mr S Melnick, a director of the company during the period under review, co-invested with the Group into the fund through an entity in which he has an indirect beneficial interest. The value of the loan receivable from Firefly as at 30 September 2018 was Nil (31 March 2018: R695 942).

Investment manager

The Group entered into an investment advisory agreement with an external investment manager on 4 October 2017, an entity in which S Melnick and S Jelley, executive directors of the Group during the period under review, were representative of and have an economic interest in. For the six months ended 30 September 2018, these fees amounted to R8 million (2017: Nil). On 17 September 2018, the investment advisory agreement was terminated by mutual consent, subject to the approval of shareholders by way of an ordinary resolution, and in respect of which a termination fee of R63 million was agreed between the parties.

Equity accounted investees

The Group pays certain expenses on loan account, with respect to fees incurred in the ordinary course of business, on behalf of entities in which the Group holds an associate interest. These fees amounted to Nil for the period under review (2017: Nil).

As at 30 September 2018, Group associate companies owed the Company an aggregate amount of R91 895 (2017: Nil).

Subsidiaries

Transactions with subsidiaries are conducted in the ordinary course of business at arms' length. Dividends paid by subsidiary companies are recognised in investment income by the holding company. Intercompany transactions and balances are eliminated on consolidation.

Loans to subsidiary companies as at 30 September 2018 amounted to R2,6 million (2017: Nil) due by Sandown Capital International Limited ("SCIL") to the Company. The amounts due by/to subsidiary companies are considered of a short-term nature, unsecured and repayable on demand. Loans are interest-free unless stated otherwise.

Peregrine Holdings Limited (“Peregrine”) restructure

With effect from 2 October 2017 Peregrine transferred to Sandown, a wholly-owned subsidiary of Peregrine at the time, all the attributable surplus balance sheet investments within the Peregrine group. The effect of the restructure on the assets and liabilities as at the reporting date is presented below.

The fair values reflected below represent their carrying values as at the restructure date (2 October 2017).

| | R'000s |
|---|------------------|
| Identifiable assets transferred in: | 1 160 634 |
| Financial investments | 990 067 |
| Hedge funds | 474 558 |
| Listed equity | 383 178 |
| Private equity | 132 331 |
| Cash and cash equivalents | 170 567 |
| Identifiable liabilities transferred in: | (134 324) |
| Attributable net assets | 1 026 310 |

Contingent liability

In terms of an agreement signed on 17 September 2018, between the Company, SCIL and the investment manager, whereby the investment advisory agreement between the parties was terminated, SCIL will pay the investment advisor R63 million in consideration thereof, by no later than the second business day after an ordinary resolution being passed by the shareholders in general meeting approving the termination, on the terms and conditions contained in the agreement. The Company has issued notice of a general meeting in this regard, which meeting will take place on 15 November 2018. Shareholders are referred to the Circular issued by the Company announced on SENS on Tuesday, 16 October 2018, for more detailed information.

Subsequent events

Other than the termination of the investment advisory agreement referred to above, the directors are not aware of any other matters or circumstances arising since the end of the reporting period under review which significantly affect the financial position of the Group or the results of its operations.